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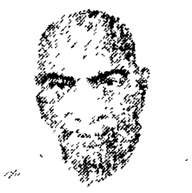

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MBA (Marketing Management)
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Rural Marketing

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Syllabus

UNIT I

Defining rural market – profile of rural market and rural consumers – characteristics specific to rural consumer – rural marketing opportunities and challenges.

UNIT II

Rural market segmentation – bases of segmentation – selecting target market – product positioning in rural markets.

UNIT III

Rural consumer behaviour – changing trends – rural consumer decision making process – influencing factors.

UNIT IV

Products and services – designing innovative products and services to rural market – pricing methods – methods of distribution – role of cooperative sectors – public distribution system.

UNIT V

Designing advertisement campaigns for rural markets – media choice – sales promotion techniques – personal selling and publicity – impact of information technology on rural communication.

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DIRECTORATE OF DISTANCE EDUCATION

PALKALAI NAGAR, MADURAI-625 021

Tamil Nadu, INDIA

MBA

RURAL MARKETING

<u>COMPILED BY</u>

Dr.M.JAISUN, M.B.A., DLLAL., M.Phil., PGDSMO., Ph.D,
Assistant Professor in Business Administration,
V.H.N.S.N College (Autonomous),
Virudhunagar-1,
Tamil Nadu.

<u>REVIEWED BY</u>

Dr.G.MURUGESAN, M.Com., M.B.A., M.Phil., PGDCA., Ph.D,
Assistant Professor in Business Administration,
V.H.N.S.N College (Autonomous),
Virudhunagar-1,
Tamil Nadu.

PREFACE

The Indian rural market is larger when it is compared to the urban counterparts in many respects. There is a big rural middle class in India, which is being watched continuously by the corporate world. The rural market with fast growth rate, improved transportation, ever-rising communication facilities and rising standard of ruralites is a logical corollary of the rising income offer tremendous potential to innovative marketers in India.

This book examines the concept of rural markets and rural marketing and explores the methods that marketers use to access the rural consumer. This improved edition retains the managerial perspective of the earlier versions. This edition has revisions and additions to meet the challenges that the managers marketing products and services to rural markets face because of the changes in the environment of these markets. This edition has new chapters that examine the emerging channels that marketers are using to access rural markets. The book consists of 10 units.

Syllabus

Unit 1: Introduction of Rural Marketing-Introduction-Meaning-Nature and Characteristics-Significance-Classification-Marketing Functions-Factors contributing to the change in rural market.

Unit 2: Rural Marketing Opportunities and Challenges- Size of the population-Scenario of Literacy in Rural Areas-Income generation-Infra Facilities-Rural Communication-Rural marketing problems.

Unit 3: Rural Market Segmentation-Definition-Segmentation-Bases-Common mistakes in Segmentation-Thompson rural market index segmentation-Non mutually exclusive segments.

Unit 4: Target Market and Positioning-Definition of Target Market and Market Positioning-Target market Selection process.

Unit 5: Rural Consumer Behaviour- Meaning-Model of Rural consumer behavior-Cultural Factors influencing Consumer Behaviour.

Unit 6: Rural Consumer Decision Making-Definition-Factors influencing buying behavior-Innovative Marketing Strategic Decision.

Unit 7: Designing Products and Services and Rural Pricing and Distribution-Product Strategy-Rural Pricing Strategies-Role of Distribution-Distribution Channels-Significance of Distribution-Problems in rural distribution.

Unit 8: Role of Co operative Sector Marketing-Meaning-Role of Co operatives-Structure-Types-Membership-Functioning-Progress-Rural Development Trust.

Unit 9: Advertising Campaigns and Media Choice-Objectives-Factors-Media Choice-Sales Promotion and techniques-Personal Selling-Publicity.

Unit 10: Impact of IT on Rural Communication-IT and Rural Economic development-Benefits of IT on Rural Development-Rural IT; Issues and Conceptual framework-Rural Communication-Rural Banking-Role of Technology.

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UNIT 1: AN INTRODUCTION OF RURAL MARKETING

STRUCTURE

1.0 Introduction
1.1 Objective
1.2 Meaning and Definition of Rural Marketing
1.3 Nature and Characteristics of Rural Market
1.4 Significance of the Rural Markets
1.5 Classification of Markets
1.6 Marketing Functions
1.7 Factors contributing to the change in the Rural Market
1.7.1 Green Revolution
1.7.2 Emerging Role of Bio-Tech. in Indian Agriculture Sector
1.7.3 Rural Communication
1.7.4 Development Programmes
1.8 State Agricultural Marketing Boards
1.9 Summary
1.10 Keywords
1.11 References/Further Reading
1.12 Answers to CHECK YOUR PROGRESS
1.13 Self Assessment Questions

1.0 INTRODUCTION

Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. In fact, satisfaction of customer's needs and wants provides the rationale for the firm's existence. Knowledge of consumer behaviour, therefore, is vital for a firm

to achieve its marketing goals. The consumer's behaviour comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behaviour helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing programme in a more efficient manner.

1.1 OBJECTIVE

After reading this lesson, you will be able-

- To develop an insight into rural marketing regarding different concepts and basic practices in this area.
- To discuss the challenges and opportunities in the field of Rural marketing.

AN OVERVIEW OF RURAL MARKETING SCENARIO IN INDIA

Marketing is the pivot of economic development in rural areas. It is a vital component in income and employment generation in farm and non-farm sectors. Rural marketing in India is often perceived as agricultural marketing and not more. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the agricultural non-agricultural workers from rural to urban areas.

The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behaviour has

been nominal, not much systematized information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behaviour, particularly from the marketing point of view. Many assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if satisfied, becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer's hardsell techniques, is quite discriminating, and is not easily persuaded. Yet another assumption is that the rural buyer is not particularly keen about quality and packaging. Some other assumptions can be quoted. But, all these need deep probing for arriving at valid and reliable conclusions. Consumer research, thus, is indispensable for entering the rural segment of the market.

RURAL PROFILE/FEATURES OF RURAL MARKET IN INDIA

Large and scattered market: According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area.

1. ***Diverse socio-economic background:*** This is different in different parts of the country and brings diversity in rural markets.
2. ***Changing demand pattern:*** Demand pattern of rural customer is fast changing due to increasing in income and credit facilities offered by banks like 'kisan credit card'.

3. ***Major income comes from agriculture:*** About 60% of the rural income is from agriculture and hence the demand for consumer goods is high during harvesting season.
4. ***Saving habits:*** Rural consumer is now having saving habits due to the efforts of co-operative and commercial banks.
5. ***Traditional outlook:*** Rural customer values old customs and traditions.
6. ***Low standard of living:*** Rural consumer have low standard of living because of low literacy, low per capita income and social backwardness.
7. ***Poor infrastructure facilities:*** Facilities like roads, warehouses, communication system, etc. are inadequate in rural areas. Hence physical distribution becomes costly.
8. ***Media reach:*** The reach of pint media is 10% followed by TV 31%, radio 31% and cinema 33%.
9. ***Communication:*** As per Indian Express report about 6 lakhs villages are without telephone facilities.

Exhibit: I

DEFINITIONS OF 'RURAL'

According to **Census of India (2001)**, 'Rural' as any habitation with a population density of less than four hundred per sq.km., where at least seventy five percent male working population is engaged in agriculture and there is no Municipality or Board.

Pradeep Kashyap and Siddharth Raut (2006) in their work mentioned that many companies would consider any town as 'Rural' with a population below fifty thousand.

Prahalad (2006) philosophy is based on increasing the purchasing power in the 'rural' areas. In his perennial work of "The Fortune at the bottom of the Pyramid", he says," The poor must become active,

informed, and involved consumers. Poverty reduction can result from co-creating a market around the needs of the poor.
The **OECD (1996)** classifies "***predominantly***" rural areas as those where more than 50 percent of the population lives in rural communities, and "significantly" rural areas as those where between 15 and 50 percent live in rural communities.

1.2 MEANING AND DEFINITION OF RURAL MARKETING

According to National Commission on Agriculture "Rural marketing is a process which starts with a decision to produce a salable farm commodity and it involves all the aspects of market system, and includes pre and post harvest operations i.e. assembling, grading, storage, transportation and distribution".

The term 'rural marketing' used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. So, before venturing into the other aspects of rural marketing let us discuss the development of this area in different parts which is briefly explained here.

Part I (Before 1960): Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to 'agricultural marketing'. Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane etc. occupied the central place of discussion during this period. The supply-chain activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The local marketing of products like bamboo baskets, ropes, window and door frames, small agricultural tools like ploughs by sellers like black smiths, carpenters, cobblers, and pot makers were emphasised in

general. This was totally an unorganized market where all *banias* and *mahajans* (local business people) dominated this market.

Part II (1960 to 1990): In this era, green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheats and paddies. Better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and deployment of machinery like powder tillers, harvesters, threshers etc. changed the rural scenario. In this context, marketing of agricultural inputs took the importance. Two separate areas of activities had emerged- during this period 'marketing of agricultural inputs' and the conventional "Agricultural Marketing". During this period, the marketing of rural products received considerable attention in the general marketing frame work. The formation of agencies like Khadi and Village Industries Commission, Girijan Cooperative Societies APCO Fabrics, IFFCO, KRIBHCO, etc., and also the special attention government had paid to promote these products were responsible for this upsurge. Village industries flourished and products like handicrafts, handloom textiles, soaps, safety matches, crackers etc. hit the urban market on a large scale from rural areas.

Part III (After Mid 1990s): The products which were not given attention so far during the two earlier phases were that of marketing of household consumables and durables to the rural markets due to obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, our market was in a close shape and we newer allowed companies (foreign) to operate in Indian market. But we lifted the ... and opened up economy, consequently companies started flourishing in India. The small villages/hamlets were widely scattered making reach difficult and expensive consequently. Rural markets were seen an

adjunct to urban market and conveniently ignored. However, since 1990s, India's industrial sector had gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the metamorphosis of agricultural society into industrial society. Meanwhile, due to the development programmes of the central and state governments, service organizations and socially responsible business groups like Mafatlal, Tatas, Birlas, Goenkas and others, the rural area witnessed an all round socio-economic progress. The economic reforms further accelerated the process by introducing competition in the markets. Steadily, the rural market has grown for household consumables and durables.

Rural marketing represented the emergent distinct activity of attracting and serving rural markets to fulfil the needs and wants of persons, households and occupations of rural people. As a result of the above analysis, we are in a position to define rural marketing "Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living for them and thereby achieves the goals of the organization".

1.3 NATURE AND CHARACTERISTICS OF RURAL MARKET

There goes a saying that the proof of the pudding lies in the eating. So also the proof of all production lies in consumption/marketing. With the rapid pace of technological improvement and increase in peoples buying capacity, more and better goods and services now are in continuous demand. The liberalization and globalization of the Indian economy have given an added advantage to sophisticated production,

proliferation and mass distribution of goods and services.

Taking these into consideration, the question may arise whether marketers should concentrate their activities in urban India consisting of metros, district headquarters and large industrial townships only, or extend their activities to rural India. Rural India is the real India. The bulk of India's population lives in villages. In terms of the number of people, the Indian rural market is almost twice as large as the entire market of the USA or that of the USSR.

- Agriculture is main source of income.
- The income is seasonal in nature. It is fluctuating also as it depends on crop production.
- Though large, the rural market is geographically scattered.
- It shows linguistic, religious and cultural diversities and economic disparities.
- The market is undeveloped, as the people who constitute it still lack adequate purchasing power.
- It is largely agricultural oriented, with poor standard of living, low-per capital income, and socio-cultural backwardness.
- It exhibits sharper and varied regional preferences with distinct predilections, habit patterns and behaviorual characteristics.
- Rural marketing process is both a catalyst as well as an outcome of the general rural development process. Initiation and management of social and economic change in the rural sector is the core of the rural marketing process. It becomes in this process both benefactor and beneficiary.

1.4 SIGNIFICANCE OF THE RURAL MARKETS

If you meet a sales executive today and ask which market he would prefer to serve, the immediate answer would be, "Rural Markets" as they are still unexploited. A number of factors have been recognized as responsible for the rural market boom. Some of them are:

1. Increase in population, and hence increase in demand. The rural population in 1971 was 43.80 crores, which increased to 50.20 crores in 1981, 60.21 crores in 1991 and 66.0 crores in 2001.
2. A marked increase in the rural income due to agrarian prosperity.
3. Large inflow of investment for rural development programmes from government and other sources.
4. Increased contact of rural people with their urban counterparts due to development of transport and a wide communication network.
5. Increase in literacy and educational level among rural folks, and the resultant inclination to lead sophisticated lives.
6. Inflow of foreign remittances and foreign made goods in rural areas.
7. Changes in the land tenure system causing a structural change in the ownership pattern and consequent changes in the buying behaviour. The general rise in the level of prosperity appears to have resulted in two dominant shifts in the rural consuming system. One is conspicuous consumption of consumer durables by almost all segments of rural consumers, and the obvious preference for branded goods as compared to non-branded goods of rural.

1.4.1 SCOPE OF RURAL MARKETS/WHY COMPANIES GO RURAL?

1. ***Large Population:*** According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area
2. ***Rising Rural Prosperity:*** Average income level has improved due to modern farming practices, contract farming, industrialisation, migration to urban areas and remittance of money by family members settled abroad.
3. ***Growth in Consumption:*** There is a growth in purchasing power of or rural consumers. The average per capita household expenditure is Rs. 382.
4. ***Changing Lifestyle:*** Lifestyle of rural consumer changed considerably.
5. ***Life Cycle Advantage:*** The products, which have attained the maturity stage in urban market, is still in growth stage in rural market. E.g. popular soaps, skin cream, talcum powder, etc.
6. ***Market Growth Rate Higher than Urban:*** As per the survey made by NCAER the growth rate of FMCG market and durables market is higher in rural areas. The rural market share is more than 50% for products like body talcum powder, toilet soaps cooking oil, hair oil etc.
7. ***Rural Marketing is not Expensive:*** To promote consumer durables inside a state costs Rs one crore while in urban areas it will costs in millions.

1.5 CLASSIFICATION OF MARKETS

1] On the Basis of Location

1. *Village Markets:* Located in small villages
2. *Primary Wholesale Markets:* Held weekly or bi-weekly at different villages and locally called as 'Shandi' or 'Haat'.

3. *Secondary Wholesale Markets:* Located at taluka or district headquarters and towns and known as 'Mandi' or 'Gunj'
4. *Terminal Markets:* Located in metro cities where buyers and sellers come from different regions or nations.
5. *Seaboard Markets:* Located near seashore for the purpose of import and export.

2] On the Basis of Area Coverage

1. *Local Markets:* Buyers and sellers are from same village or nearby villages.
2. *Regional Markets:* Buyers and sellers come from large areas.
3. *National Markets:* Buyers and sellers are from whole India.
4. *World Markets:* Buyers and sellers are from whole world.

3] Time Span

1. *Short Period Markets:* Perishable products such as fish, milk etc. are traded.
2. *Long Period Markets:* less perishable products such as oilseed food grains are traded.
3. *Secular Markets:* Deal in manufactured goods, which are permanent in nature.

4] Volume of Transaction

1. *Wholesale Markets:* Goods are bought and sold in large quantities.
2. *Retail Markets:* Goods are bought and sold according to the consumer's requirement.

5] Nature of Transaction

1. *Spot or Cash Market:* Money is realized immediately after the sale.
2. *Forward Market:* Process of purchase and sale is done but goods and money are exchanged at some specific date.

6] Number of Commodities

1. *General Market:* All types of commodities are bought and sold

2. *Specialised Market:* Only one or two commodities are sold, e.g. cloth market.

7] Nature of Commodities

1. *Service of Market:* Deals in service such as professional consultancy
2. *Capital Market:* Deals in bonds, shares and securities.
3. *Commodity Market:* Deals on goods and raw materials such as cotton, grains.

8] Degree of Competition

1. *Perfect Market:* Has large number of buyers and sellers.
2. *Imperfect Market:* Has monopolistic competition

9] Public Interventions

1. *Regulated Market:* Business is carried as per rules and regulations framed by statutory organisation.
2. *Unregulated Market:* Traders frame their own rules for conduct of business and run the market.

1.6 MARKETING FUNCTIONS

1] Primary Marketing Functions

1. ***Assembling***: It is the process of collecting agricultural produce from small cultivators and marketing them in large quantities in wholesale markets. In assembling process number of agents take part. They are:

- Farmers who bring their won produce to market
- Cultivators who collect the produce of other farmers
- Landlords who collect the produce of their tenants
- Merchants are village banias
- Kachha Arhatiya in assembling market
- Pakka Arhatiya, wholesale merchants and manufacturers.

1. ***Processing:*** It is a process that adds utility to a commodity. It improves the quality of produce like polishing of rice. In processing highly perishable products are converged into less perishable products.
2. ***Distribution:*** It is the process of storage and selling of processed or unprocessed products.

2] Secondary Marketing Functions

1. ***Standardisation & Grading:*** It facilitates marketing. It is difficult to grade agricultural products because of the wide variation from region to region and even from farm to farm.
2. ***Packaging:*** Packaging protects the products from physical damage and deterioration in quality during transportation.
3. ***Transportation:*** It facilitates the movement of products from farm to village market and then to wholesale market and finally to consumers.
4. ***Storing:*** Storage is essential in case of agricultural produce as production is seasonal and consumption is continuous.
5. ***Financing:*** The service of making credit available to meet the cost of selling products to final consumer is referred as finance function of marketing.
6. ***Risk Bearing:*** Farmers and traders are required to bear risk in agricultural marketing arising out of price changes, which may be seasonal or irregular.
7. ***Selling:*** It is the main function of marketing. It includes transfer of title of goods and collection of payment.

Check your progress

1. _______ protects the products from physical damage and deterioration in quality during transportation.

1.7 FACTORS CONTRIBUTING TO THE CHANGE IN THE RURAL MARKET

1.7.1 Green revolution

The substantial attention accorded to agriculture during the successive five-year plans has helped in improving agricultural productivity. Adoption of new agronomic practices, selective mechanisation, multiple cropping, inclusion of cash crops and development of allied activities like dairy, fisheries and other commercial activities have helped in increasing disposable income of rural consumers. Over 75 percent villages in India have been electrified. There is also a shift from rain dependence to irrigation. Farmers are getting high return for their cash and food crops. In the whole process, the dependence on seasonality has reduced, and in return there has been increasing disposable income. By observing this scenario, India's one of the biggest giant Hindustan Lever Ltd. has entered into rural market for more penetration through the operation 'Bharat'. Since December 1999, HLL has reached out to 35,000 villages, 22 million households and spent Rs. 20 crore. This has been one of the largest sampling exercises in recent times conducted by a big business house.

1.7.2 Emerging Role of Bio-Tech. in Indian Agriculture Sector

It is evident from the facts that Indian agriculture is trailing in terms of yield when compared with leading countries of the world. Countries like USA, Canada, Israel and Germany have achieved high yield in agriculture production but countries like India, Brazil and Nigeria are having agriculture yield much lower than international average. The major difference created in this respect is the use of the applications of bio-technology. Bio-technology has vital role to play in so far as enhancement of

agriculture yield is concerned. For instance the yield of wheat in USA per hectare is almost three times more than that of India and the yield of sugar cane is two and half times more if compared with the Indian yield of sugar cane per hectare. These advance countries have been making an extensive use of bio-technology whereas in developing countries the concept is not yet very popular. When we are living in the era of globalisation everything is becoming globally competitive and therefore, we cannot live in isolation in terms of agriculture yield also. We have to make use of the applications of the bio-technology in an agriculture sector both in terms of generating quality seeds and cropping the same in compliance with the theories of biotechnology. Our farmers, who are normally not aware of this fact have to be educated and the responsibility lies on the shoulders of researchers, scientists, administrators and the policy makers of the country. It will provide more discretionary income in the hands of the rural farmers.

1.7.3 Rural communication

Around 50 percent of the villages are today connected by all weather roads and can be accessed throughout the year. But there are states, which are almost 100 percent connected with the metal roads. Road networking besides enhancing the mobility of rural consumers has increased their exposure to products and services. By watching such a scenario in these areas Korean consumer durable companies have decided to look beyond their noses. They are now placing their bets on rural markets. Two giants namely LG and Samsung have already made their strategies for entering into rural India. As per survey conducted by Indian Market Research Bureau (IMRB) 77 percent of the villages are covered by TV network. Now even villages are going for dish antennas and they have already been enjoying exposure to various products through advertisements. All the villages are about to be connected with telephone facilities in the near future and already there are some villages,

which are connected with this facility. Apart from this, internet is not a distant reality. Recently Mr. Ram Vilas Paswan, the minister for communication has announced that in the coming days there would be 100 percent connectivity through telephones in the rural areas. Seeing these types of opportunities and interests of the ruralites, Tata cellular has already entered into rural India by making its first entry into Andhra Pradesh. Tata cellular has created India's largest cellular 'corridor' to provide connectivity to non-metro and rural centres.

1.7.4 Development programmes

The five-year plans have witnessed massive investments in rural areas in terms of number of development programmes implemented by the central and state Government. These programmes have generated incomes to ruralites and helped them to change their life-styles. Some of these programmes are:

- Intensive Agricultural District Programme (IADP- Package Programme)
- Intensive Agricultural Area Programme (IAAP)
- High Yielding Varieties Programme (HYVP- Green Revolution)
- Drought Prone Areas Programme (DPAP)
- Small Farmers Development Agency (SFDA)
- Hill Area Development Programme
- Operation Flood I, II and III (White Revolution)
- Fisheries Development (Blue Revolution)

- Integrated Rural Development Programme (IRDP)
- Jawahar Rojgar Yojna (JRY).

Check your progress
2. IADP stands for ________
3. __________facilitates the movement of products from farm to village market and then to wholesale market and finally to consumers.

These programmes are related with agriculture and allied activities but there are certain other policies which are specifically meant to raise the standard of the rural people in the field of health, education, sanitation etc. After the beginning of economic reforms in 1991, the Government has been giving special attention to the rural India by providing certain developmental schemes for these areas. Some announcements were made by the finance minister in the Union Budget 2000 to enrich the existing programmes and to initiate some new schemes for the rural areas like Kisan Credit Cards, Micro Finance and Pardhan Mantri Gramodyog Yojna etc. In the latest budget (2004) focus has been on agriculture and rural development.

Since special attention is being given in the union budget through some schemes, and due to progress of economic reforms, poverty is declining at a faster pace and there is a substantial increase in the per capita income of the people especially in case of majority of the states of Indian union. For example per capita income of the Punjab is Rs. 20,606 followed by Maharashtra Rs. 19,207, Haryana Rs. 18,171, Gujrat Rs. 15,723, Tamilnadu Rs. 13,248 and Karnatka Rs. 11,578 and if we see

the average of 14 states it is Rs. 10,886 at a growth rate of 4.4 per cent. Hence, we can see that today changes are taking place rapidly in all walks of life and rural areas are no exception to this. Improved infrastructure facilities, economic liberalisation, renewed emphasis on agribusiness and small industries, fast changing agricultural technology, scope for commercialisation of agriculture, greater budgetary provision for rural people are few reasons to mention. Moreover, various socio-cultural, psychological and political aspects of rural life are also changing. Rural people today are less fatalistic, less attached to religious beliefs, getting more individualistic, achievement-oriented and aspiring than before. All this has opened up new vistas for the marketers of millennium at least in the states, which are leading in per capita income with a sustained growth, like Punjab, Haryana, Maharashtra, Tamilnadu, Karnatka, Gujrat, Delhi and Western UP etc.

1.8 STATE AGRICULTURAL MARKETING BOARDS

SAMB was established in18 states and one union territory by the notification of Agricultural Produce Marketing Act.

Functions of Boards:

1. Train officers and staffs and create facilities for grading and standardisation.
2. Construct roads to approach markets.
3. Construct market yards and sub yards.
4. Advise government on the functioning of marketing committees.
5. Frame byelaws and supervise marketing functions of marketing committees.

<u>Check your progress</u>

4. SAMB stands for __________

5. COSAMB stands for __________.

1.8.1 Council of State Agricultural Marketing Boards (COSAMB)

COSAMB is an apex body of SAMB established in 1988.

Functions of Council

1. Set up a common forum of national stature.
2. Provide assistance to member states to fix norms for arranging credits from bank.
3. Seek representation of council in various committees of central and state governments
4. Create a national, non-political autonomous body to pursue issues at national level.
5. Set a common organisation to hold seminars and workshops to educate various functionaries.
6. Set common libraries and build a stock literature.

1.9 SUMMARY

The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size and it is growing steadily. Even a small growth can push up the sales of a product substantially, in view of the huge base despite the fact that there are enormous amount of problems. It is an attractive market from this angle also that the urban market is highly competitive, the rural market is relatively quiet. In fact, for certain products, it is a totally virgin market.

Economic reforms in India have brought about major changes in the whole market environment. With these changes, rural marketing will become an important playground for our marketers.

Successful rural marketing calls for a review of the rural marketing environment, developing proper understanding of the nature and profile of rural consumers, designing the right products to appeal to them, and

adopting suitable media as well as appropriate strategies for communication and distribution.

It is generally believed that markets are created, not found. This is especially true in case of the rural market of India. It is a market for the truly creative marketer.

1.10 KEYWORDS

Agricultural inputs: All the products which are used in agriculture sector and are responsible for better productivity in farming such as chemical fertilizers, quality seeds, tractors, engines, and other irrigational equipments etc.

Green revolution: The revolution in the field of agriculture where productivity in this sector increased by leaps and bounds. Adoption of new technology, multiple cropping, and other commercial activities have helped in increasing disposable income of normal consumers.

Warehousing: A storage function which is necessary for consumption cycles for agricultural commodities which are used seasonally.

Branding: Any name, term, symbol, design or combination of these which differentiate the product of one producer from the competitors.

Mahajans: The business people who deal with the villagers at local level. These people lend the money and other facilities to the villagers.

1.11 REFERENCES/FURTHER READINGS

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1.12 Answers to Check your Progress

1. Packaging

2. Intensive Agricultural District Programme
3. Transportation
4. State Agricultural Marketing Boards
5. Council of State Agricultural Marketing Boards

1.11 SELF ASSESSMENT QUESTIONS

1. Define rural marketing. How will you add value to rural marketing?
2. Explain the factors, which have made rural markets attractive.
3. How does rural marketing differ from urban marketing?
4. What qualities should a rural marketer possess?
5. Provide suitable guidelines to companies planning to go rural.

UNIT 2: RURAL MARKETING OPPORTUNITIES AND CHALLENGES

STRUCTURE

2.0 Introduction
2.1 Objective
2.2 Size of the population
2.3 Scenario of Literacy in Rural Areas
2.4 Income generation in rural areas
2.5 Occupation Pattern
2.6 Infrastructure facilities
2.7 Rural communication
2.8 Rural Marketing Problems
2.9 Private agencies involved in rural marketing
2.10 Summary
2.11 Keywords
2.12 References/Further Reading
2.13 Answers to CHECK YOUR PROGRESS
2.14 Self Assessment Questions

2.0 INTRODUCTION

India has been witnessing many changes in the field of marketing and perhaps the most formidable reason for this is the ongoing process of liberalisation and globalisation. There is a substantial increase in the purchasing power of the people, their life-style has changed remarkably due to their increased purchasing power and moreover they are influenced by different cultures. At present, Indian consumers demand almost all consumer goods both durable and non-durable. Earlier

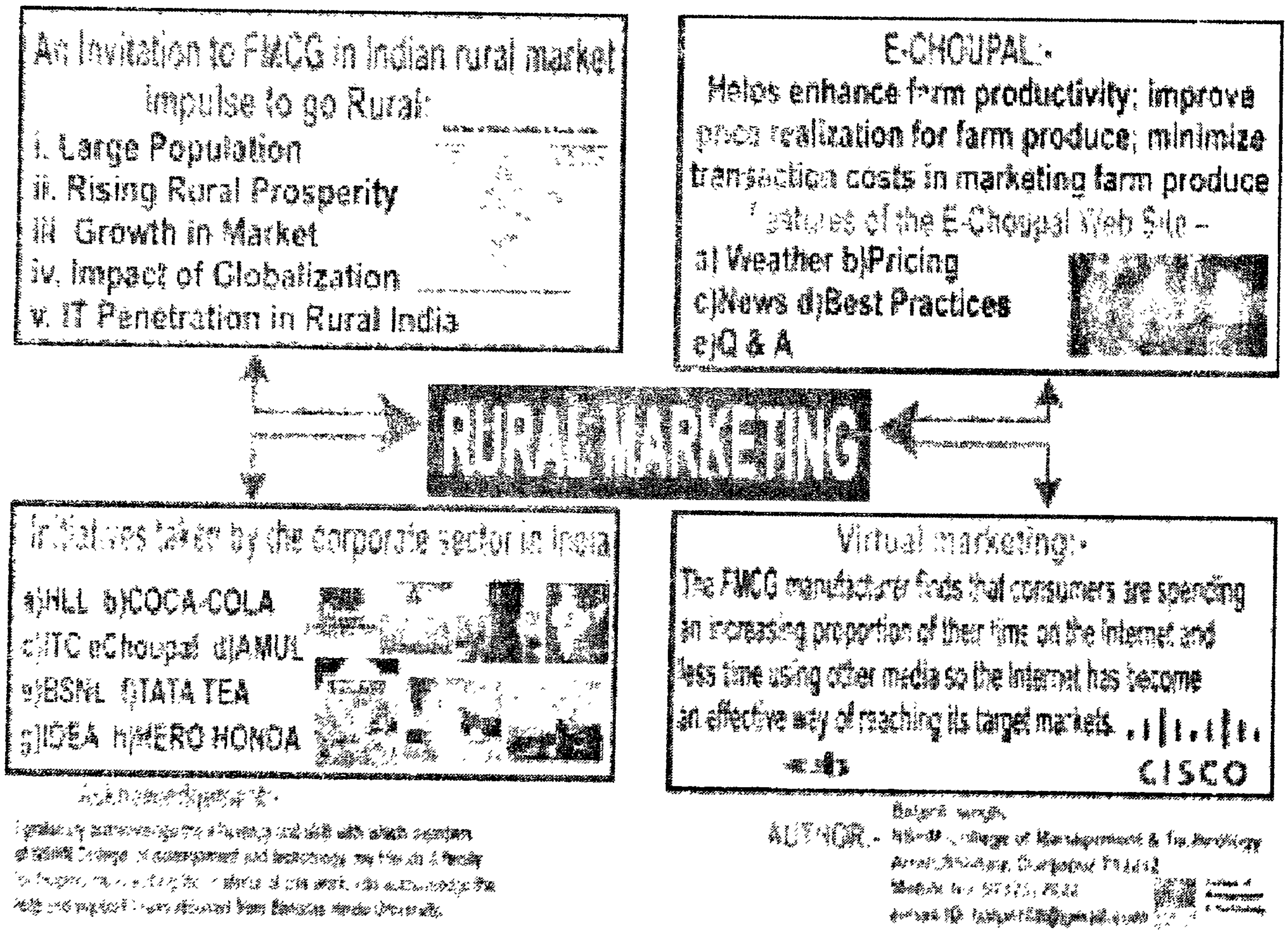
consumer durables like TV, two-wheeler or refrigerator were treated as luxuries but now these are being considered as necessities.

However, the situation which we are talking about largely prevails only in urban areas till now. The urban market was given high attention until now due to the boom period in economy since 1991, but now it has almost been saturated, forcing the marketers to shift their battlefields from urban markets to rural markets. For the marketers of the new millennium, the rural market is quite an opportunity to tap. The beginnings will of course have to be made in form of relevant investments to understand the market first. Investments through research and large-scale studies, continuous running panels across demographic groups and a whole plethora of research exercise will need to precede the accurate understanding of these markets in general and the rural consumer in particular.

If India is a land of over 1 billion people, 73 per cent of these folks live in 5,72,000 vastly spread villages of India located around the hills and dales of this country. The marketer is just beginning to see the potential in form of the numbers for a start. He has nothing much else to go by, in any case, except for myths. Myths that have made the mystery of great Indian rural market, much of the black hole in Indian market lore.

The upwardly mobile villager growing vegetables round the year, with milk distribution network to back has emerged as the king of all consumers. 'Rural Marketing' is the name of the game and rural India is all set to transform our large urban conglomerates. Liberalisation, riding the wings of satellite and cable television, has acted as a key catalyst. Statistics compiled by the National Council of Applied Economic Research (NCAER) confirm that rapid life-style changes in our villages

will see a shrinking of poverty levels. Village in India has become home to the good things of life, and why not? Dr. R.K. Shukla, of NCAER pulls out a vast array of statistics to back his assertions. "Between 1997-98 the percentage of low income households came down from 73 to 51 percent while the high income house holds in rural areas moved up from 0.3 to 2.3 percent. But by 2006, the rural consuming class will have risen to 75.5 percent of all households making this a population of 432 million wannables. Low-income homes, by contrast, will be down to a mere 16.5 percent of the population.



Rural Marketing Opportunities

There is a big rural middle class in India, which is being watched continuously by the corporate world. The rural market with fast growth rate, improved transportation, ever-rising communication facilities and

rising standard of ruralites is a logical corollary of the rising income offer tremendous potential to innovative marketers in India. The top business houses have started looking to the new destination: the 'rural India'. Now one can think why people like Rupert Murdoch and Kerry Packer have come calling in such quick succession or why Unilever chief, N. Fitzerald, on a recent trip to Mumbai, decided to give the board room the go by and spend his precious time in rural areas of Dharvad to know the taste of consumers.

Check your progress

1. NCAER stands for ___________
2. In rural areas, the scope for marketing of goods and services depend heavily on ____________.

The Indian rural market is larger when it is compared to the urban counterparts in many respects. The rural market consists of about 100 million households with a population of about 620 million. The rural areas earlier used to be dominated by so many factors like low per-capita income, low level of infrastructure facilities, problem of metal-roads, low literacy level and slow progress on front of industrialisation etc. These factors were responsible for limiting the capacity for consumption of goods and services and the irony was that marketers were hardly interested in these markets. In recent times, however, the scene has changed in agriculture and allied activities like horticulture, animal husbandry and rural industrialization etc.

In rural areas, the scope for marketing of goods and services depend heavily on agriculture, as it is the main occupation of the rural people. Good monsoons leading to bumper harvests, increase in procurement price for agricultural proceeds in the last decade, a fourfold

increase in the outlay for rural development from seventh to the ninth plan and the change in life-style due to the proliferation of various media caused the rural boom. The market for agriculture inputs like fertilizers, tractors, irrigation equipments, and hybrid seeds has been in the growth phase for last few decades and hence contributing a major break-through in the earning capacity of the farmers.

Today the rural market offers a huge and untapped market, which is having great potential. Development programmes in the field of agriculture and allied activities like health, education, communication, rural electrification, etc. have improved the life of the rural populace and some market research agencies have forecast that the rural demand will supersede the urban demand in the coming future and to successfully exploit the potential offered by rural market, there is a need to first understand the rural market not only in terms of households and population but also in terms of their occupational pattern, income generation, the process of rural and cottage industrialisation, rural buyer behaviour attitude and beliefs of rural people and their aspirations.

2.1 OBJECTIVE

The objectives of this lesson are

- To acquaint the students regarding rural marketing environment.
- To explore the opportunities for the marketers who are eyeing this market.

Factors Contributing to the Growth of Rural Markets

1. ***Employment Opportunities:*** The income from new employment and rural development efforts has increased the purchasing power of rural people.
2. ***Green Revolution:*** Due to green revolution a technological break through has taken place in rural India, which results into substantial wealth generation in these areas.
3. ***Favourable Government Policies:*** Tax exemption in backward areas, subsidy, concession, incentives and heavy investment in rural development programmes in has brought rapid growth of rural markets.
4. ***Literacy Growth:*** Literacy rate is increasing in rural areas, nearly 45% of rural Indians are literate. This brings social and cultural changes in buying behaviour of the rural customers.
5. ***Rising Disposable Income:*** Good monsoons, green revolution and Administered Pricing Mechanism (PAM) have raised disposable income in rural areas.
6. ***Attraction of Higher Standard of Living:*** Rural people have been motivated to change their lifestyles and have higher standard of living.
7. ***Spread of Cable Television:*** The growth of satellite TV channels has made a major impact on villages. This has led to a change in lifestyle and consumption pattern.

Changing Pattern of Rural Demand

The position in the rural market was totally different twenty years ago. At present there is a demand for products like TV, fans, oil engines, readymade garments, medicine, etc. New products like toiletries, baby care products and consumer durables are now getting good

demand. Demand pattern of rural markets are changing due to the following reasons:

1. Production of food grains has increased. This enhanced the rural purchasing power.

1. Due to 2000 Exim policy, export of Indian agricultural products increased.
2. Credit facilities extended by public sector banks by kisan credit cards helps farmers to buy agricultural and consumer goods on installments.
3. Co-operative and public sector banks are extending loans to the rural people and creating job opportunities for them.
4. Cable TV has played important role in bringing change in lifestyle and consumption habits of rural people.
5. Liberalisation facilitated contract farming thus the farmer has ready market for their produce.

2.1.3 4 A's of Rural Marketing

1. ***Availability:*** The first challenge is to ensure availability of products and services. India's 627,000 villages spread over 3.2 million sq. km, given the poor state road; it is not easy to reach 700 million rural Indians.
2. ***Affordability:*** The second challenge is to ensure affordability of the products and services. With low disposable income products need to be affordable to the rural consumers. Some companies consider it by introducing small unit packs, e.g. Godrej introduced Fair glow in 50 gm packs.
3. ***Acceptability:*** The third challenge is to gain acceptability for the products and services. Therefore there is a need to offer products that suites the rural consumer needs and customs. E.g. LG

developed a customised TV for the rural market and promoted 'Sampoorna".

4. ***Awareness:*** Events like fairs, festivals, haats etc. are to be used for brand communication. Ideas like putting sticker on the hand pumps, walls of the wells, tin palates on trees surrounding the ponds etc. are some of the innovative media used by soap companies like Lux, Lifeboy, Rin and Wheel. The idea is to advertise at the time of consumption.

2.2 SIZE OF THE POPULATION

India, the largest democracy in the world has 2.4 percent of world geographical area and supports 16 percent of world population. The size of India's rural consumers can be estimated from this table:

TABLE 1: POPULATION OF INDIA: RURAL-URBAN 1981-2001

	1981	1991	2001	Increase over previous decade	
				1991	2001
Rural population (in crore)	50.20	60.21	66.0	+10.01	+5.79
Urban population (in crore)	15.62	24.18	32.6	+8.56	+8.42
Totai	65.82	84.39	98.6	18.57	14.21
Source: Census of India, 2001 (P)					

According to this table around 70 percent of the total population live in the rural areas that provide a larger market compared to the

urban market. So, growth in population is assumed to be the main contributory factor which led the marketers to have an eye on this particular segment. In terms of the number of the people, the Indian rural market is almost twice as large as the entire market of the USA and the USSR. But we cannot rule out other factors while studying rural marketing environment like occupation pattern, spending pattern, economic reforms, source of income generation and other infrastructure facilities etc.

2.3 SCENARIO OF LITERACY IN RURAL AREAS

TABLE 2: LITERACY LEVELS (IN PERCENTAGE)

Gender	1981		1991	
	Rural	Urban	Rural	Urban
Males	41	66	58	81
Females	18	48	31	64
Total	30	57	45	73

Source: Census of India, 1991.

The literacy rate can be observed from this table and can be seen that only 45 per cent of the total rural population are literate as compared to 73 per cent in urban areas. The literacy plays a pivotal role while designing the communication strategy for rural folks. The heterogeneity of the languages and dialects makes a stiff challenge for the marketers. In India we have around 20 languages and more than 1600 dialects and above all, only 45 per cent literacy rate in rural areas pose great challenges to the present day marketers.

2.4 INCOME GENERATION IN RURAL AREAS

It can be observed from the income generation that nearly 75 per

cent of the total income in rural areas is related to agriculture and related activities. This is something logical because main occupation is agriculture. So, now it can be seen that growth in agriculture automatically leads to rural prosperity and in return provide a great potential for the marketers. So, the task of the marketers is to decide as to which segment of rural consumers they want to cater to because there is difficulty in finding out the small farmers, marginal land holders, and rich land lords and accordingly they have to devise their strategies and products.

Potential of Rural Market

With urban market showing signs of saturation, companies are excited about the potential of rural India. Some major companies that have focused in the rural sector are Philips, Parle, Proctor & Gamble, Colgate-Palmolive, Godrej Soap, Bajaj Auto, TVS, Atlas Cycle and HUL.

2.4.1 AGRICULTURAL MARKETING FINANCE

1] Production Credit

1. *Short Term Loans:* Credit payable within a period of 15 to 18 months is short-term credit. It is required to meet daily working capital requirement e.g. seed, fertilizers, pesticides, fuel etc. It is also needed for payment of wages, hire of machinery and tools, land revenue and taxes etc.
2. *Medium Term Loans:* Credit payable within a period of 15months to 5 years is medium-term credit. It is required to purchase capital assets e.g. purchase of agricultural machinery and tools, livestock, diesel engine, electric motor etc. It is also needed for repairing of wells, development of dairy, poultry, piggery etc.
3. *Long Term Loans:* Credit payable within a period of 5 to 25 years is long-term credit. It is required for permanent improvement or for acquiring new assets. It also needed for mechanization of

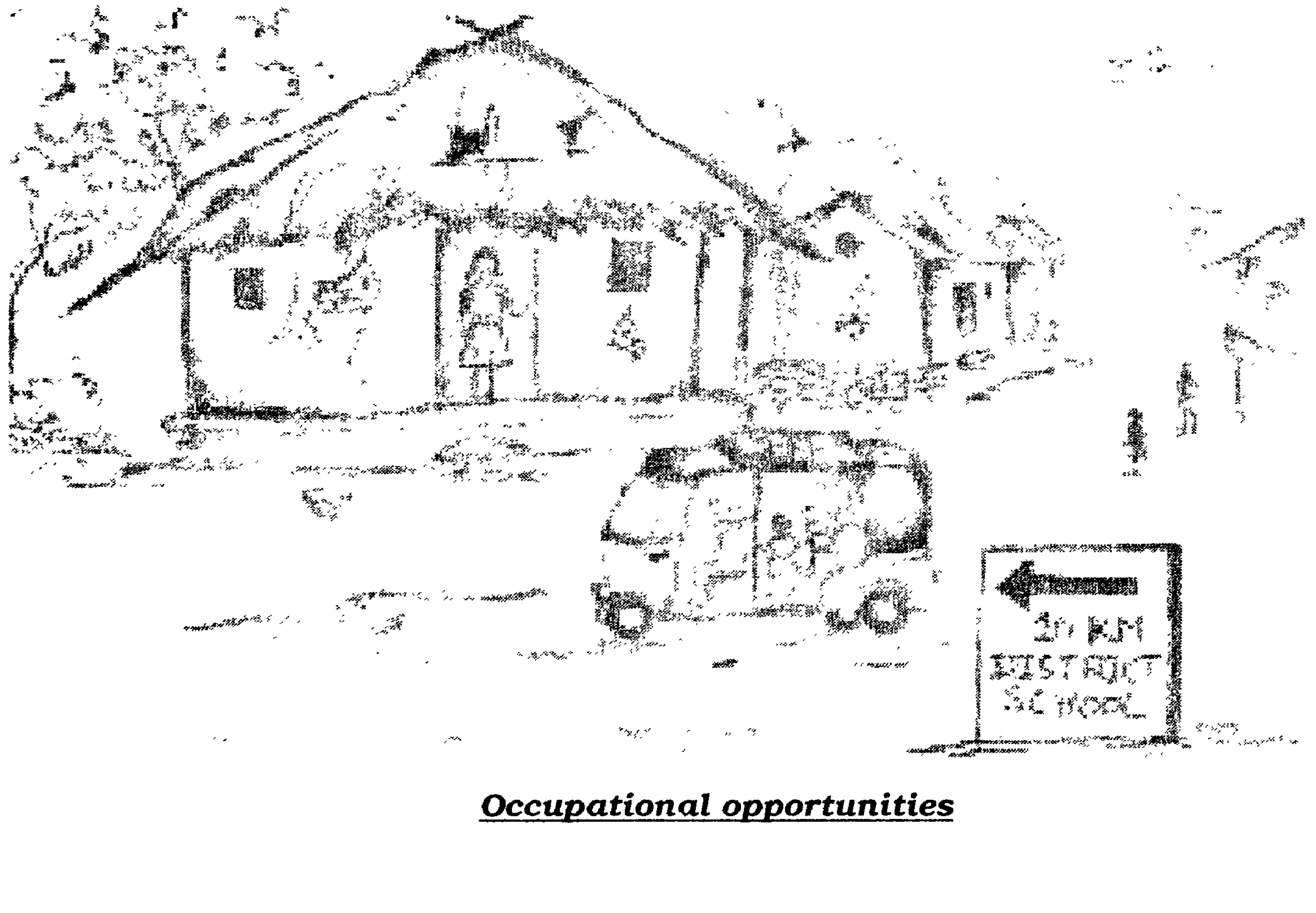
agricultural processes, fencing of lands, construction of farmhouse, etc.

2] Consumption Credit

It is a part of an agricultural loan used for consumption requirement of farmer's families. It is necessary because the farmer uses his marketed surplus to pay off previous loans and retain very little to meet family consumption. Then he has to wait for next harvest. In this period he requires cash to meet his household requirements.

2.5 OCCUPATION PATTERN

For a vast majority of the rural population, the main occupation is agriculture and allied activities. Table gives the distribution of rural population as per their occupation pattern.



Occupational opportunities

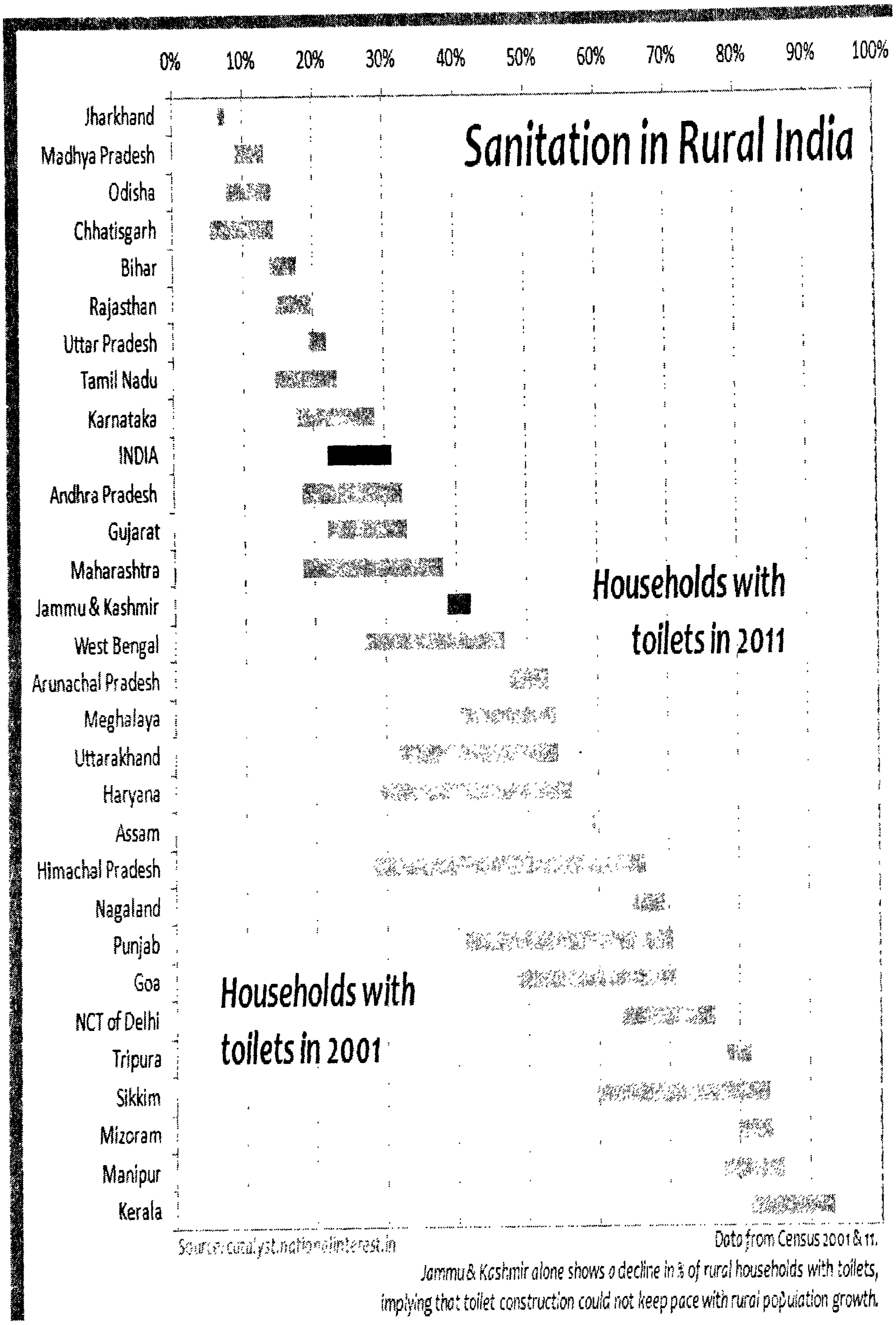
About half of the rural population own or lease land to cultivate it for their livelihood. Another 27 per cent are dependent on these cultivators for jobs as agricultural labourers. Thus, a total of 77 per

cent of rural population solely depend upon land only for their living and land is the source of their income. There are others, constituting a small proportion, who are engaged in business, like petty shopkeepers or small merchants, and salary earners like teachers, health workers, and village level officials. The implication of this type of occupation pattern is that the income generation in rural areas entirely depend upon how the land is used, what crops are cultivated, how much it marketed, how much is consumed and the marketing arrangements for the production. If the rainfall is adequate, weather conditions are favourable and appropriate technology is available, the rural areas prosper as it has happened in states like Punjab, Haryana and Western Uttar Pradesh. If the weather is unfavourable, the rural income suffers a great deal, as it often happens in drought prone areas. So, the disposable income in the hands of rural people is very much conditioned by the status of agriculture and other allied activities.

The occupation pattern can be observed when seen in terms of households also. There are about 100 million households in rural areas, out of which 72 per cent are cultivating households and another 15 per cent are agricultural labour households. Whichever way it is looked at, the fact is that, land-based activities are the main sources of income of rural population.

2.6 INFRASTRUCTURE FACILITIES

The infrastructure facilities like roads, rural electrification, public distribution system, cinema, television coverage and the like have also received considerable attention in rural areas.



Sanitation in Rural India
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Jharkhand
Madhya Pradesh
Odisha
Chhatisgarh
Bihar
Rajasthan
Uttar Pradesh
Tamil Nadu
Karnataka
INDIA
Andhra Pradesh
Gujarat
Maharashtra
Jammu & Kashmir
West Bengal
Arunachal Pradesh
Meghalaya
Uttarakhand
Haryana
Assam
Himachal Pradesh
Nagaland
Punjab
Goa
NCT of Delhi
Tripura
Sikkim
Mizoram
Manipur
Kerala
Households with toilets in 2011
Households with toilets in 2001
Source: catalyst.nationalinterest.in
Data from Census 2001 & 11.
Jammu & Kashmir alone shows a decline in % of rural households with toilets, implying that toilet construction could not keep pace with rural population growth.

Rural electrification

Rural electrification has gone on in a big way. The main aim is to provide electricity for agricultural operations and for rural and cottage industries, in addition to lighting. The central government created an organization called 'Rural Electrification Corporation' with the sole objective of financing the rural electrification projects. Due to these efforts, the number of villages with electricity supply stood at about 4.92 lakh in 1993-94, which accounts for a coverage of nearly 85 per cent of the villages. Probably by the end of ninth five year plan almost all the villages would have got electricity.

This apart, the electricity tariff charged in rural areas is very low, compared to urban areas. In some states like Tamil Nadu, Andhra Pradesh, Punjab and Karnataka the supply of electricity is almost free for agricultural purposes. In certain other states, a fixed charge is levied, which is irrespective of the quantum of consumption. These factors have increased the demand for electric motors and pump sets and also for other electrically operated agricultural machinery like threshers and winnowers.

2.7 RURAL COMMUNICATION

Efforts have been made to connect the villages with all weather proof roads, so that they are accessible throughout the year. It has been estimated that about 46 per cent of the villages were connected with all weather roads, while 54 per cent remained inaccessible during rainy seasons. There are states where all the villages are connected by roads and also a public transport system, which touches the village at least once a day.

The railways network runs through rural areas, connecting atleast

a few thousands of villages. It has been estimated that during 1992-93, the total rail length was 62,500 kilometers. This means that there was 19.01 km rail length per 1000 sq. km. Area or 7.39 km rail length per lakh population. At least a part of this should be running through the rural areas. The increase in rail length has not been significant in the recent years and hence the possibility of all the villages getting rail transport is remote.

The road length position appears to be more encouraging when compared to railways. The total road length in the country was about 1.491 million kms in 1980-81, which increased to 2.037 million kms in 1990-91. The surfaced roads proportion also increased from 46 per cent to 49 per cent during the corresponding period. In other words, the road length which was 218 km per one lakh population in 1980-81 increased to 241 km per one lakh population in 1990-91.

Now golden quadrangle road scheme is under progress which will connect entire India from east to west and from north to south. It would be another feather in the cap of the rural development and the rural economy and development will be on fast track.

Cinema houses

The number of cinema houses have been increasing moderately. It is hoped that most of the cinema houses will come up in semi-urban and rural areas, since the urban areas are covered not only by Television but also by Cable TV and VCRs. The access to TV in rural areas being unsatisfactory, the cinema houses will have better prospects of surviving in rural areas than urban areas. The cinema viewing habit in rural areas is quite encouraging also.

Television

The television broadcast covers 93 per cent of the population, accounting for 26 per cent urban population, who are totally covered by telecast, the balance 67 per cent should be the rural populace. In fact, in any area, the rural population covered by broadcasting kendras, is more than the urban population covered. As per a survey conducted by IMRB (Indian Market Research Bureau), 77 per cent of villages are covered by TV network. The percentage of villages covered in South India is about 83 per cent, which is more than the other regions. It is also interesting to note that among the villages covered by TV transmission, 94 per cent had electricity supply. In such villages, a single community television set can work wonders. This medium may prove to be a boon for marketing personnel for promotion and communication, if effectively used.

The country is well linked by postal network. Presently there is a move to see that every village has at least one telephone for communication with the outside world.

Rural credit institutions

For a long time, the cooperative societies were the only organized agencies for disbursing credit in rural areas, apart from a host of private sources like money lenders, traders, commission agents and others. After nationalization of banks in 1969, a number of branches have been opened in rural areas to provide credit for agricultural operations. While the number of Primary Agricultural Credit Cooperative Societies (PACS) in the country is about one lakh, nearly 70 to 75 per cent of the 60,000 odd branches of commercial banks are located in rural areas. In addition, there are also 196 regional rural banks, which function with one or two districts as their jurisdiction. These agencies have enabled the farmers to obtain credit at affordable interest rates, for purchases of all

agricultural inputs. In fact, nearly 90 per cent of tractor purchases in rural areas are out of the loans provided by Land Development Banks and nationalized and non-nationalised commercial banks refinanced through NABARD.

Coupled with technology diffusion in rural areas, the improvement in infrastructure facilities has created demand for not only agricultural inputs in rural areas, but also for other products like mopeds, electrical goods, toilet soaps, washing soaps, services like banking, education, health, etc. Thus, today the rural areas also demand a number of products which can be classified under various categories. The requirement of rural areas have considerably expanded both in width and depth. In fact the rural market demand outstrips the urban demand in states like Punjab, Haryana, Western Uttar Pradesh, Tamil Nadu, Andhra Pradesh and Maharashtra. With the various development programmes under implementation, the rural demand is likely to be equal to urban demand.

Expenditure Pattern

The changing social system, increase in the number of earning family members, access to credit facilities, new product innovation, demonstration effects, value attached to products etc., have led not only to a growing rural market but also to a shift in the consumption pattern. The rural market presents an exciting opportunity to develop brands into generic product association.

The total size of the rural market for packaged consumer goods today is estimated at over Rs. 2000 crore, which is barely 1.14 per cent of the net rural income. According to national council of applied economic research (NCAER) report, the rural sector will have a major

share in the rising and changing durables market. In specific categories, such as portable radios, bicycles and wrist watches, the rural share exceeds 75%. In dry cells rural market accounts for nearly 56 per cent of the total market, 53 per cent of the popular toilet soaps market and 50 per cent of the rajor blades market are accounted for by rural markets. Seeing this kind of scenario, it seems that the rural market is vibrant, discerning, and at the current rate of growth, will outstrip the urban market.

2.8 PROBLEMS IN RURAL MARKETING

There are many problems to be tackled in rural marketing, despite rapid strides in the development of the rural sector. Some of the common problems are discussed below:

Transportation: Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our country, there are six lakhs villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

Communication: Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication task. Post,

telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country. In rural areas, the literacy percentage is still low, compared to urban areas. In India, there are 18 recognized languages. All these languages and many dialects are spoken in rural areas. English and Hindi are not understood by many people. Due to these problems, rural consumers, unlike urban consumers do not have exposure to new products.

Availability of appropriate media: It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country. It is estimated that TV covers 20 per cent of the rural population. But, the actual viewership is meager. The cinema, however, is a good medium for rural communication. But, these opportunities are very low in rural areas.

Warehousing: A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context. The central warehousing corporation and state warehousing, which constitute the top tier in public warehousing in our country, have not extended their network of warehouses to the rural parts. It is almost impossible to distribute effectively in the interior outlets in the absence of adequate storage facilities. Due to lack of adequate and scientific storage facilities in rural areas, stocks are being maintained in towns only.

Village structure in India: In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs, and their small size affects economic viability of establishing distribution points.

Rural markets and sales management: Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favourable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

Inadequate banking and credit facilities: In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

Market segmentation in rural markets: Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

Branding: The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc. whose prices are often half of those of national brands, but sold at prices on par or slightly les than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality.

Packaging: As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

Check your progress

3. ________ is the process of dividing the total market into a number of sub-markets.

2.8.1 OTHER CONSTRAINTS IN RURAL MARKETING

Vastness and Uneven Growth: India has about 5 lakhs villages, which are scattered over a wide range of geographical area, and also they are not uniform in size.

1. ***Transport Problem:*** Transportation infrastructure is very poor in rural India. Though India has the fourth largest railway system in the world, many villages remain outside the railway network. Many villages have only kaccha roads while many of rural interiors are totally unconnected by roads. Because of this the physical distribution is difficult in rural areas.
2. ***Communication Problems:*** Communication infrastructure consisting of posts, telegraphs and telephones is inadequate.
3. ***Warehousing Problems:*** Central Warehousing Corporation and State Warehousing Corporation do not extend their services to the rural parts. The warehouses at mandi level are managed by co-operative societies who provide services to members only.
4. ***Many Languages and Dialects:*** The number of language and dialects vary widely from state to state, region to region and even from district to district. Though the recognized languages are only 16 the number of dialects is around 850.
5. ***Market Organisation & Staff:*** Rural marketing needs large marketing organisation and staff to have an effective control, which requires huge investment.
6. ***Non-Availability of Dealers:*** It is not possible to have direct outlets in each rural market; firms have to have service of dealers, which is not easily available.
7. ***Hierarchy of Market:*** Rural consumers have identified market places for different items of their requirements. Thus depending upon the purchase habit of rural people, the distribution network of different commodities has to be different.

2.9 PRIVATE AGENCIES INVOLVED IN RURAL MARKETING

1. ***Beoparies:*** He collects the agricultural produce from villages and Haats and brings it to the wholesale market. They normally purchase when the prices are low and sell it when the prices are high. Beoparies act as a financer to poor farmers.
2. ***Tolas:*** They are the weighman who not only weigh the produce but also collects samples of the produce from the villages and takes it to the dealers in town. He gets a commission for this.
3. ****Arhtias:*** There are two Arhtias, Kaccha Arhtia is concerned with assembling the produce and Pakka Arhtia is concerned with the distribution.

2.9.1 METHODS OF SALES

1. ****Under Cover of a Cloth (Hatta) System:*** In this system the Kaccha Arahtias or Dalal decides the price of products on behalf of the farmer and bidding starts. When all the buyers have finished giving offers. The name and offers price of highest bidder is announced and sales takes place when the Arahtias twist his finger under the cover of a cloth. This system has been banned by government because of the possibility of cheating.
2. ****Open Auction System:*** In this system, the seller piles-up his produce at one place. Dalal visits each piled-up stocks, pick samples and shows it to the buyers. The agent then invites bids and the produce is sold to the highest bidder. Three types of open auctions are prevalent in different markets.
    1. *Phar System:* One bid is given for all the lots in a particular shop.
    2. *Random Bid System:* Dalal invites only few buyers, everyone is not informed
    3. *Roster Bid System:* Bidding starts from a particular shop in the market and the bidders after the auction of produce at

one shop move to the next in a clockwise or anticlockwise direction till the auction at all shops is over.

3. ***Closed Tender System:*** In this system the bidders are asked to quote their offer price in a prescribed form and submit it to the seller. All the bidders are invited on a fix date and time and sealed tender are opened in presence of all bidders. The name and price of highest bidders is announced and goods are sold to him.
4. ***Mogum Sale:*** In this system, farmers take advance from the buyer before the harvest without fixing the price, with an understanding that the buyer will pay the prevailing rate after the harvest.
5. ***Private Negotiations:*** In this method, buyer comes to the shops of agent, inspects the sample and offers his price. If price is accepted the agent convey the decisions to the seller and the produce is weighed and given.
6. ***Dara Sale:*** In this system, the produce of different quality is mixed and sold as one lot at one rate.
7. ***State Trading:*** Government purchases huge quantity of food grains for distribution.
8. ***Forward Sale:*** In this system, Process of purchase and sale is done but goods and money are exchanged at some specific date
9. ***Jalap Sale:*** as
10. ***Sale by Sample:*** In this system, buyer purchases the produce before the harvest at a fixed price. E.g. Dealer of different fruits like mangoes, approach the mango growers and enter into a verbal agreement with them by just looking at the flowers setting.

2.10 SUMMARY

The infrastructural facilities in rural areas are increasing fast. As per the census 2001, about 50 per cent of villages are covered by all weather roads. Majority of the villages are provided with partial services.

Almost all the villages are connected with electricity. There is a steady increase in rural incomes on account of increased agricultural production, rural industrialization etc. The literacy rate has been increasing at a good pace. This situation creates demand for educational material and better prospects for newspaper and print media penetration.

For the development of rural marketing, market research should be carried out in rural areas to monitor the changing rural environment and implications there of. Rural infrastructure should be developed, particularly in remote villages. The government should develop banking, communication, education, warehousing, and transportation facilities on a priority basis in rural areas for the development of rural marketing.

2.11 KEYWORDS

NABARD (National banking for agriculture and rural development): This is the bank which provides loans and other facilities to the farmers and it is responsible for many developmental work in rural areas. This bank also provides loans and money to the other rural banks.

NCAER (National Council for Applied Economic Research): This is a nodal and central government agency which carry out the work in the field of economic progress, especially publish the report regarding rural development and other economic indicators.

Rural Communication: All types of channels through which interaction take place among rural population and the other stakeholders who are interested in this market.

Expenditure pattern: A social system where rural population

Spend money on efficient items.

2.12 REFERENCES/SUGGESTED READINGS

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2.13 Answers to Check your Progress

1. National Council of Applied Economic Research
2. Agriculture
3. Market Segmentation

2.14 SELF ASSESSMENT QUESTIONS

1 Explain the significance of developments in rural marketing.

2 Compare and contrast rural and urban markets.

3 If you wish to enter into rural market, how will you access the different factors of environment and why? Elaborate.

4 Explain in detail about the various constraints in Rural Marketing.

5 Explain the role private agencies in rural marketing.

UNIT 3: RURAL MARKET SEGMENTATION

STRUCTURE

3.0 Introduction
3.1 Objective
3.2 Definition of Market segmentation
3.3 Rural Market Segmentation
3.4 Bases of Segmentation
3.5 Other Bases of Segmentation
3.6 Common Mistakes in Market Segmentation
3.7 Thomson Rural Market Index Segmentation
3.8 Non Mutually Exclusive Segments
3.9 Summary
3.10 Keywords
3.11 References/Further Reading
3.12 Answers to CHECK YOUR PROGRESS
3.13 Self Assessment Questions

3.0 INTRODUCTION

The concept of market segmentation is sound. It's a way to apply greater marketing energy or force to a subset of the market. A great deal of money is wasted on psychographic segmentations that never lead to any marketing actions. If you segment the market by psychographics, there are several essential uses of the segmentation: first, target your brand to the largest segment with relevant brand fit (or even target two closely related segments) by media advertising and message. That is, the advertising message is the way to reach the psychographic segment (rarely can a psychographic segment be defined by demographics or geography). Second, segmentation can provide the guide rails for brand

positioning. That is, positioning assumes, or takes place in relation to, a target market segment; you are positioning your brand in relation to a market segment. Third, the segmentation can define opportunities for new products targeted to each psychographic segment. That is, the market segments can be a template for new product development. For example, if you find that 15% of the U.S. population belongs to a "safety first" segment when it comes to buying cars, then you can design and build the safest car in the world to target this segment. So psychographic segmentation's greatest value lies in positioning, targeting via advertising message, and defining new product opportunities. Go forth and segment.

3.1 OBJECTIVE

After reading this lesson, you will be able-

- To develop an insight into rural marketing regarding different concepts and basic practices in this area.
- To discuss the rural marketing segmentation.

3.2 DEFINITION OF MARKET SEGMENTATION

- At its most basic level, the term "market segmentation" refers to subdividing a market along some commonality, similarity, or kinship. That is, the members of a market segment share something in common. The purpose of segmentation is the concentration of marketing energy and force on the subdivision (or the market segment) to gain a competitive advantage within the segment. It's analogous to the military principle of "concentration of force" to overwhelm an enemy. Concentration of marketing energy (or force) is the essence of all marketing strategy, and market segmentation is the conceptual tool to help achieve this focus. Before discussing psychographic or lifestyle segmentation (which is what most of us mean when using the term

"segmentation"), let's review other types of market segmentation. Our focus is on consumer markets rather than business markets.

- A market segment is a classification of potential private or corporate customers by one or more characteristics, in order to identify groups of customers, which have similar needs and demand similar products or services concerning the recognized qualities of these products, }e.g. functionality, price, design, etc. Segmentation is the process of dividing a heterogeneous market into several sub- markets or segments, each of which tends to be homogeneous in all significant aspects. The division is based on the premise, that different people have different preferences.

3.3 RURAL MARKET SEGMENTATION

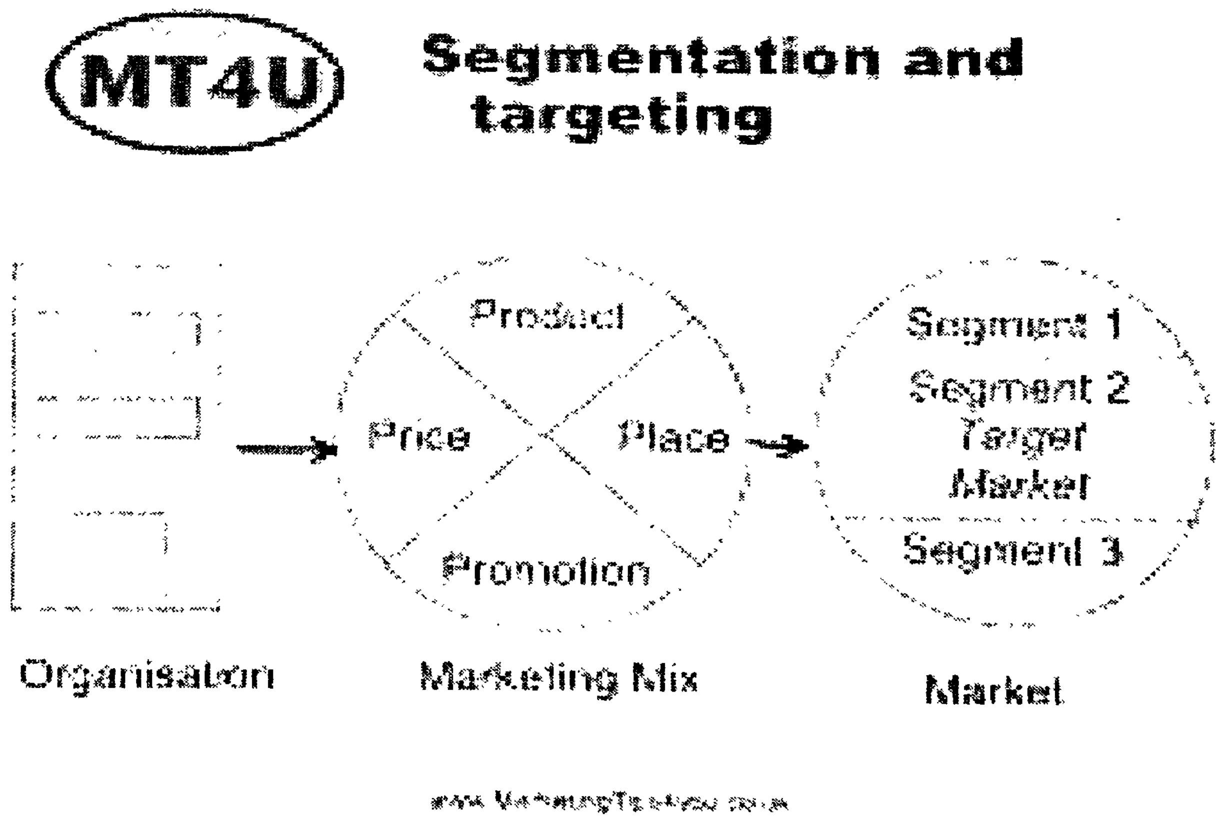
While evaluating segments in rural one should not be impressed by size alone. This is because in rural the size of market may be big but purchasing power on people in rural area is limited. Therefore the growth of rural markets for different product categories should be evaluated while targeting the market.

Such segmentation which is done using variables such as Lifestyle of the people, (whether rigid, traditional or changing), Occasion, (whether on a regular day or a special occasion), Benefits sought from the product (such as Quality, Price and Service), and Loyalty to brands (whether Low, Medium or High.)

In practical terms it is very difficult for a marketer to depend on a single variable for segmenting the market. It is a complex function since it depends on multiple factors that define market dynamics. In order to identify smaller, well defined, meaningful target groups marketers use several variables.

Once segmentation has been done the marketer needs to evaluate each segment to decide which segment to }target. Targeting involves evaluating various segments and selecting how many and which one to target. While evaluating market segments two broad factors are considered1. Overall attractiveness of each segment2. Company's objective and resource competencies. Marketers should evaluate the segment opportunity with reference to their short term and long term objectives. If a company's objective is to achieve long term sustainable sales volume by expanding its customer base then it has to go rural instead of expecting consumers to come to urban markets to purchase the products and services. Differentiated marketing strategy investigates and identifies differences between segments and tries to match the market offer to desires and expectations of ⌉ This strategy results in:- ¬each segment. More costs but⌉Strong identification of company in product category. More loyal consumers.⌉higher sales and profitability.

Figure 1: Segmentation and Targeting



Due to small number of consumers in each segment, targeting only one segment would spread marketing efforts thinly over a vast area. As companies invest a great deal of time, effort and money to reach rural markets, it is important that they should have a multi segment strategy rather than single segment strategy to ensure adequate returns on investment.

Segmentation helps firm tailor their marketing programs focuses an actionable and accessible set of the market. cuts of wasteful expenditures on unwanted consumers matches needs and wants of specific groups of buyers to firm's offerings stimulates demands through multi-products for multi-segments resource allocation to segment specific marketing mix activities will be made more efficient Segmentation is a way to plan rather than explain.

Exhibit I

Utsav Time Asian Piants Ltd(APL) is India's largest paints company and ranks among the top ten decorative coating companies in the world today. The company has come a long way since its small beginning in 1942. APl was the first Indian company to go rural In 1999 It launched Tractor enamel paint in rural markets, rural customers started using it to paint the horns of their bullock. APL survey the rural markets extensively with the able support of its advertising agency Ogilvy outreach. They found that there was a gap in demand in the market for paints used for houses. These were two choice available for rural people : the traditional chuan powder, which cost around Rs9 per kg and enamel paint which cost around Rs 50 per liter was very expensive for most rural customers. Chuan powder however was not long lasting. Hence APL launched Utasv distemper exclusively for rural markets in 1999. Utsav is good example of brand that used excellent STP for rural markets.

Check your progress

1. A __________is a classification of potential private or corporate customers by one or more characteristics.
2. Segmentation on the basis of ________ is done depending on Region.
3. ___________ refers to study about the different aspects of population.

3.4 BASES OF SEGMENTATION

There are several ways or methods to segment a market. Such ways or methods depend upon consumer characteristics and their responses to the products or services. A paradigm shift has taken place in the way the Indian corporate (is) viewing customers. There has been a shift from organizing by-products to organizing by-market segments. For example, Maruti is segmenting is customers on the basis of economic and premium class, which was not done previously. A rural marketer can choose one or several variables from an assortment of possibilities.

I. GEOGRAPHIC SEGMENTATION :

Segmentation on the basis of geography is done depending on various factors such as

Region: North, South, East and West.

Village Size: < 500 people, 501 – 2000 people, 2001 – 5000 people, > 5000 people

Proximity to the feeder town:

Density: The number of people per sq. km

Climate: Moderate, rain fed or dry with scanty rainfall.

Level of Irrigation: Whether good, moderate, scanty or none at all.

In geographic segmentation, the market is sub divided on the basis of the following classification of area.

Region : Regional segmentation is made because regional differences exist in respect of demand for products. For example, buyers from south India are different from the buyers in north.

Urban / Rural : There are differences in buying behaviour of urban and rural customers. Accordingly, marketing strategies must be designed depending upon their likes, dislikes, moods, preferences, fashions and buying habits.

Locality : Consumer's buying behaviour is also reflected by the locality within a particular city. For instance, there are differences in terms of buying patterns of people residing at Parel and Parle, within a city like Mumbai.

II. DEMOGRAPHIC SEGMENTATION :

Demography refers to study about the different aspects of population. Markets can be divided on demographic factors like age, gender, education etc. The various demographic factors are:

Age : The primary method of analysing markets by age is to divide the total population into age groups and analyse the wants and needs of each group.

Gender : Marketers devote much attention to male and female differences in purchasing. Today, marketers segment female groups into college girls, working women, housewives, etc. Again, male groups can be further classified.

Income : Buying patterns depends on income of the consumers. No two individuals or families spend money in exactly the same way. If a researcher knows a person's income, he can predict with some accuracy wants and needs of that person and how those wants are likely to be satisfied.

Education : Market can be segmented on the basis of education – matriculation or less, under graduates, graduates, post-graduation, etc. Most studies show that the highly educated people spend more than the poorly educated in respect of housing, clothing, recreation, etc.

Family Size : The consumption patterns of certain products definitely vary with the number of people in the household. Manufacturers of certain products such as ice-cream market family packs.

Family Life Cycle : The market can be segmented as bachelors, newly married couples, married with grown up children, older married couples, etc. For selling tours and vacations, Life Insurance policies etc., this segmentation is of use.

Race and Religion : Consumption patterns of certain products differ on the basis of religion and race, such as alcohol and meat products.

III. SOCIOGRAPHIC SEGMENTATION:

The market can be segmented on the basis of sociological factors such as:

Cultural Influences: The marketer must consider cultural influences while segmenting markets. People in urban areas are influenced to a certain extent by western culture, whereas, many people in villages follow more or less traditional culture. Culture is influenced by our socio-cultural institutions like family, religion, language, education, and so on.

Influence of Social Class: Buying behaviour is reflected by the influence of social class to which the consumers belong. The social class can be segmented as – lower -lower, middle-lower, upper-lower, lower-middle, middle-middle, upper-middle, lower-upper, middle-upper and upper-upper. Firms dealing in clothing, home furnishing, automobiles, etc. can design products for specific social class.

Influence of Reference Groups : A reference group may be defined as a group of people who influence a person's attitudes, values and behaviour. Consumer behaviour is influenced by the small groups to

which they belong or aspire to belong. These groups include family, religious groups, a circle of close friends or neighbours, etc. Each group develops its own set of attitudes and beliefs that serve as guidelines for members' behavior

IV. PSYCHOGRAPHIC SEGMENTATION OR Lifestyle Segmentation

It refers to individual aspects like life style and personality. Such segmentation is done using variables such as Lifestyle of the people, (whether rigid, traditional or changing), Occasion, (whether on a regular day or a special occasion), Benefits sought from the product (such as Quality, Price and Service), and Loyalty to brands, (whether Low, Medium or High.)

Life-Style : Sellers study the life-styles of the consumers. For example, a manufacturer of readymade garments may design his clothes differently matching different life styles of college-students (more fashionable), office-goers (more sober) and so on.

Personality: Personality characteristics such as leadership, independence, masculine, impulsive, ambitious,-etc., do influence buying behaviour.

V. BEHAVIOURAL SEGMENTATION:

In this case, buyers are divided into groups on the basis of their response to the product – usage rate, user status, loyalty status, buying motives, and so On.

Usage Rate : One possible way to define target market is by product usage. There can be heavy users, medium users, light users, and nonusers. Targeting on this basis may be useful to the seller who want to increase consumption by present users and to convince and induce nonusers to become users.

User Status : Market can be segmented on the basis of user status such as: non-user, ex-user, potential user, first-time user, regular-user, & so on.

Readiness Stage : Market can be segmented on the basis of people's readiness to buy the product. Some people are well informed and are interested to buy the product. Some other may be well informed but not interested to buy the product.

Buying Motives : Buyers buy the product with different buying motives such as economy, convenience, prestige, etc. Accordingly promotional appeals can be directed to the target audience

3.5 OTHER BASES OF SEGMENTATION

- **Distribution Segmentation**

Different markets can be reached through different channels of distribution. For example, a company might segment the "tick and flea collar" market by selling the product to supermarkets under one brand name, to mass merchandisers under another brand, to pet stores under another brand name, and to veterinarians under yet another brand name. This type of distributional segmentation is common, especially among small companies that grant each channel a unique brand to gain distribution within that channel. Other examples of distributional segmentation would be an upscale line of clothing sold only in expensive department stores, or a hair shampoo sold only through upscale beauty salons.

- **Media Segmentation**

While not common, media segmentation is sometimes a possibility. It is based on the fact that different media tend to reach different audiences. If a brand pours all of its budget into one media, it can possibly dominate the segment of the market that listens to that radio station or reads that magazine. Media segmentation is most often practiced by companies that

have some control over the media and can somehow discourage competitors from using that media.

- **Price Segmentation**

Price segmentation is common and widely practiced. Variation in household incomes creates an opportunity for segmenting some markets along a price dimension. If personal incomes range from low to high, the reasoning goes, then a company should offer some cheap products, some medium-priced ones, and some expensive ones. This type of price segmentation is well illustrated by the range of automotive brands marketed by General Motors historically. Chevrolet, Pontiac, Oldsmobile, Buick, and Cadillac varied in price (and status) along a clearly defined spectrum to appeal to successively higher income groups.

- **Time Segmentation**

Time segmentation is less common but can be highly effective. Some stores stay open later than others, or stay open on weekends. Some products are sold only at certain times of the year (e.g., Christmas cards, turkeys, fireworks, cranberry sauce). Chili is marketed more aggressively in the fall, with the onset of cooler weather. Football is played in the fall, basketball in the winter and spring, and baseball in the spring and summer (or at least this used to be the pattern). The Olympics come along every two years. Department stores sometimes schedule midnight promotional events. The time dimension can be an interesting basis for segmentation. In addition to the foregoing, markets can be segmented by hobbies, by political affiliation, by religion, by special interest groups, by sports team loyalties, by universities attended, and hundreds of other variables. You are only limited by your marketing imagination.

3.6 COMMON MISTAKES IN MARKET SEGMENTATION

Segmentation studies tend to be large and complicated, so it's easy for errors and mistakes to be made. Some of the most common mistakes:

1. ***Segmenting a segment.*** For example, someone might want to segment the market for widgets among 18- to 24-year-olds who live in Vermont and buy brand XYZ. As is evident, the client is asking that a tiny sliver of the market be segmented. True, this tiny sliver can be segmented, but rarely are the resulting segments of any value, because they are just too small. General rule: segment the whole market, including all age groups. The market should be broadly defined for a segmentation analysis to be most effective. In other words, don't preordain the results by sampling restrictions.

2. ***Overlooking the "universals."*** Many attitudinal statements in the questionnaire will not show up in the final segments, because they tend to be the same across all segments. Statements that everyone agrees with, or everyone disagrees with (we call them "universals") cannot explain much in the multivariate analyses. Variables have to move up and down for the multivariate analysis to work. The highest rated variables, and the lowest rated, are likely to fall out of the multivariate analyses. However, you should always look at these universal statements. Any one of them might be the basis for a positioning or a strategy that would appeal to everyone.

3. ***Creating too many segments.*** There is a practical limit to the size of segments that companies can effectively target. If you create more than four or five market segments, you run the risk that the resulting segments will be too small to target, at least by mass media. This is not always true, but it is a good rule of thumb.

4. ***Targeting all segments.*** So you have carefully subdivided your target market into five mutually exclusive psychographic segments, and your boss tells you to develop a marketing plan to attack each segment. If all of your marketing is direct mail, and you can

identify the addresses that belong to each segment, then you can attack all segments (assuming your product is relevant to all segments). But, if you use broadcast media in marketing your product, it is very difficult to target multiple segments because of media "spillover." What you say to one segment will be muddled and confused by the different messages targeted to other segments.

5. ***Confusing the results.*** Segmentation studies are large and complicated, with enormous amounts of data. It is easy to get lost in this treasure trove of answers and come up with confusing and bafflingResults.

6. ***Overlooking the basics.*** The dazzle and glitter of the advanced, rocket-science multivariate analyses attract everyone's attention. No one ever opens up the crosstabs and looks at the answers to the hundreds of questions asked. Often, hidden in plain view in the plain old crosstabs are tremendous findings that could form the basis for new or improved marketing strategies, advertising campaigns, or new products. Rarely does anyone analyze this basic data,however.

7. ***Targeting people instead of dollars.*** A market segment might represent a large percentage of the population, but a small part of the market. Always look at the dollar potential of market segments, not just the number of people in the segments.

3.7 THOMSON RURAL MARKET INDEX [TRMI] SEGMENTATION

Hindustan Thomson associates ltd developed a guide to market segmentation in 1972 and revised it in 1986. They collected data in 335

districts based on 26 variables finally they arrived on 10 selected variables having strong co-relation to rural market potential. Agricultural laborers

Gross cropped area Gross irrigated area under non-food crops pump sets.

Fertilizers' consumption tractors rural credit Rural deposits village electrified. Based on these factors, the districts are classified as A,B,C,D&E. Which are in order of high potential market to low potential market.

3.8 NON MUTUALLY EXCLUSIVE SEGMENTS

Virtually all segmentation work, historically, has been based upon the assumption of mutually exclusive market segments. The mutually exclusive model, however, does not always apply to psychographic or lifestyle segmentation (since most of us hold many overlapping and/or conflicting beliefs and attitudes). Therefore, it is wise to develop two distinctly different segmentation solutions: one based upon mutually exclusive segments and one based upon overlapping segments. Both of these segmentation "solutions" should be crosstabulated by the original questionnaire variables to identify which type of solution yields the most meaningful (and actionable) market segments.

3.9 SUMMARY

The concept of market segmentation is sound. It's a way to apply greater marketing energy or force to a subset of the market. A great deal of money is wasted on psychographic segmentations that never lead to any marketing actions. If you segment the market by psychographics, there are several essential uses of the segmentation: first, target your brand to the largest segment with relevant brand fit (or even target two

closely related segments) by media advertising and message. That is, the advertising message is the way to reach the psychographic segment (rarely can a psychographic segment be defined by demographics or geography). Second, segmentation can provide the guide rails for brand positioning. That is, positioning assumes, or takes place in relation to, a target market segment; you are positioning your brand in relation to a market segment. Third, the segmentation can define opportunities for new products targeted to each psychographic segment. That is, the market segments can be a template for new product development. For example, if you find that 15% of the U.S. population belongs to a "safety first" segment when it comes to buying cars, then you can design and build the safest car in the world to target this segment. So psychographic segmentation's greatest value lies in positioning, targeting via advertising message, and defining new product opportunities. Go forth and segment.

Much of the discussion in the chapter had noted the possibilities of establishing the foot holds in rural market. First, these kinds of markets are heterogeneous; hence the marketer should frame different strategies to sell their products. However it must be noted that it is possible to capitalize on the similarities among the rural markets. The most important difference between rural and urban is in the degree of sophistications of the consumers. Urban consumers are generally familiar with such products, their attitude and value related to purchase and consumption will be different. Here the marketer may have to work harder to sell their goods in rural area because of diversity of values and attitudes present in these regions.

3.10 Keywords

Market Segment, Rural, Urban, Targeting the Segmentation and TRMI

3.11 REFERENCES/SUGGESTED READINGS

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3.12 Answers to check your progress

1. Market Segment
2. Geography
3. Demographic Segmentation

3.13 SELF ASSESSMENT QUESTIONS

1. Define Market Segmentation and Rural market Segmentation
2. Explain in detail about the Bases of Segmentation
3. Elaborate the common mistakes in Market segmentation
4. Explain in detail about Thompson rural market segmentation.

UNIT 4: TARGET MARKETS AND POSITIONING

STRUCTURE

4.0 Introduction
4.1 Objective
4.2 Definition of Target markets
4.3 Definition of Market Positioning
4.4 Target market selection process
4.5 Summary
4.6 Keywords
4.7 References/Further Reading
4.8 Answers to check your progress
4.9 Self Assessment Questions

4.0 INTRODUCTION

A principal concept in target marketing is that those who are targeted show a strong affinity or brand loyalty to that particular brand. Target Marketing allows the marketer / sales team to customize their message to the targeted group of consumers in a more focused manner. Research has shown that racial similarity, role congruence, labeling intensity of ethnic identification, shared knowledge and ethnic salience all promote positive effects on the target market. Research has generally shown that target marketing strategies are constructed from consumer inferences of similarities between some aspects of the advertisement (e.g., source pictured, language used, lifestyle represented) and characteristics of the consumer (e.g. reality or desire of having the represented style). Consumers are persuaded by the characteristics in the advertisement and those of the consumer.

Here are some questions to get you started:

- Are your target customers male or female?
- How old are they?
- Where do they live? Is geography a limiting factor for any reason?
- What do they do for a living?
- How much money do they make? This is most significant if you're selling relatively expensive or luxury items. Most people can afford a carob bar. You can't say the same of custom murals.
- What other aspects of their lives matter? If you're launching a roof-tiling service, your target customers probably own their homes.

Once upon a time, business owners thought it was enough to market their products or services to "18- to 49-year olds." Those days are a thing of the past. Because the consumer marketplace has become so differentiated, it's a misconception to talk about the marketplace in any kind of general way anymore. Now, you have to decide whether to market to socioeconomic status or to gender or to region or to lifestyle or to technological sophistication. There's no end to the number of different ways you can slice the pie.

Further complicating matters, age no longer means what it used to. Fifty-year-old baby boomers prefer rock 'n' roll to Geritol; 30-year-olds may still be living with their parents. People now repeat stages and recycle their lives. You can have two men who are 64 years old, and one is retired and driving around in a Winnebago, and the other is just remarried with a toddler in his house. Generational marketing, which defines consumers not just by age, but also by social, economic, demographic and psychological factors, has been used since the early 80s to give a more accurate picture of the target consumer.

A newer twist is cohort marketing, which studies groups of people who underwent the same experiences during their formative years. This leads them to form a bond and behave differently from people in different cohorts, even when they're similar in age. For instance, people who were young adults in the 50s behave differently from people who came of age during the tumultuous 60s, even though they're close in age. To get an even narrower reading, some entrepreneurs combine cohort or generational marketing with life stages, or what people are doing at a certain time in life (getting married, having children, retiring) and physiographics, or physical conditions related to age (nearsightedness, arthritis, menopause).

Today's consumers are more marketing-savvy than ever before and don't like to be "lumped" with others--so be sure you understand your target market. While pinpointing your market so narrowly takes a little extra effort, entrepreneurs who aim at a small target are far more likely to make a direct hit.

4.1 OBJECTIVES

After reading this lesson, you will be able-

- To develop an insight into rural marketing regarding different concepts and basic practices in this area.
- To discuss the challenges and opportunities in the field of rural marketing

4.2 DEFINITION OF TARGET MARKETS

What Are Markets?

A. We defined the term "market" as a group of people who, as individuals or organizations, have needs for products in a

product category and have the ability, willingness, and authority to purchase such products.

B. Individuals can have the desire, the buying power, and the willingness to purchase certain products but may not be authorized to do so.

C. Markets fall into one of two categories *consumer markets* or *business markets.*

   a) A *consumer market* consists of purchaser and household members who intend to consume or benefit from the purchased products and do not buy products for the main purpose of making a profit.

   b) Consumer markets are sometimes referred to as *business-to-consumer* (B2C) *markets.*

   c) A *business market* consists of individuals or groups who purchase a specific kind of product for one or three purposes:

      (1) Resale

      (2) Direct use for producing other products

      (3) Use in general daily operations

   d) Business markets may also be called *business-to-business* (B2B), *industrial or organizational markets.*

A **Target market** is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise towards. A well-defined target market is the first element to a marketing strategy. The marketing mix variables of product, place (distribution), promotion and price are the four elements of a marketing mix strategy that determine the success of a product in the marketplace.

Check your progress

1. A _________ is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise towards.
2. __________ are sometimes referred to as business-to-consumer (B2C) markets.
3. __________ is about how you want your customers to perceive your product or service in relation to their perception of your competitors and what marketing strategies you should adopt to reach this perceptual goal.

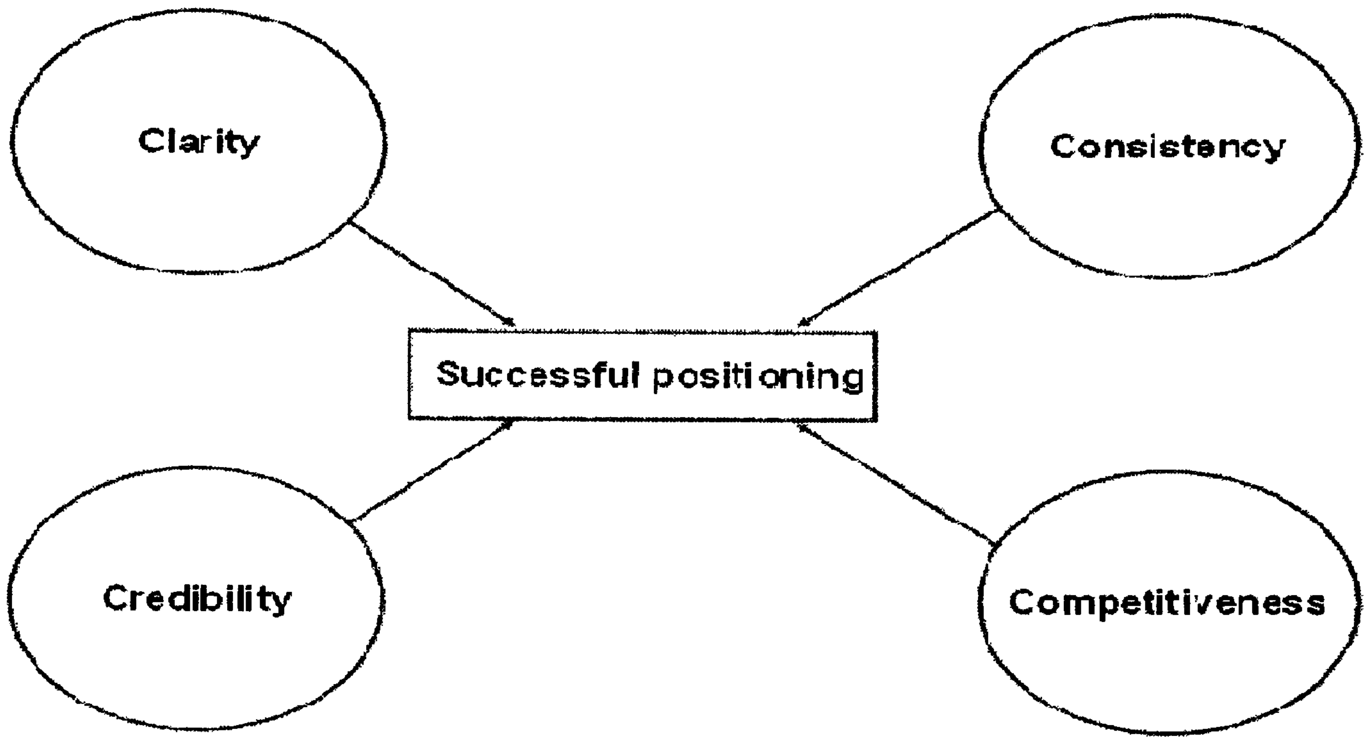
4.3 DEFINITION OF MARKET POSITIONING

Market positioning is about how you want your customers to perceive your product or service in relation to their perception of your competitors and what marketing strategies you should adopt to reach this perceptual goal. In other words, what message about your product or service is your company trying to put across and how will you does that?

A market position will happen whether or not you are proactive, reactive or passive about the on-going process of developing and sustaining a market position. However, you can positively influence these perceptions by developing and implementing deliberate market positioning strategies.

When developing a market position you need to select the most persuasive, meaningful and unique points of difference that will allow you to compete for the largest number of potential customers.

Figure 1: Positioning



Developing a positioning strategy depends largely on how competitors position themselves. Some companies develop a 'me too' strategy and position themselves close to their competitors so prospects can make a direct comparison when they purchase.

Other companies develop marketing strategies which position them well away from their competitors. Offering a benefit which is superior depends on the marketing mix strategy the company adopts. Your pricing strategy must reflect the benefit offered and your promotion strategy must clearly communicate this benefit.

4.4 TARGET MARKET SELECTION PROCESS

Marketers generally employ a five-step process for target market selection: identifying the appropriate targeting strategy, determining which segmentation variables to use, developing market segment

profiles, evaluating relevant market segments, and selecting specific target markets.

Step 1: Identify the Appropriate Targeting Strategy

The targeting strategy used is affected by target market characteristics, product attributes, and the organization's objectives and resources.

A. **Undifferentiated Strategy**

1. The *undifferentiated targeting strategy* is one in which an organization defines an entire market for a particular product as its target market, designs a single marketing mix, and directs it at the entire market.
2. The underlying assumption is the needs of the target market for specific kinds of product are very similar; thus the business can satisfy most customers with a single marketing mix.
3. There are two requirements for effective use of this approach.
   a) The market must be *homogeneous*, meaning that a large proportion of customers have similar needs for the product.
   b) The organization must be able to develop and maintain a single marketing mix that satisfies customers' needs.

B. **Concentrated Targeting Strategy through Market Segmentation**

1. *Heterogeneous markets* are markets made up of individuals or organizations with diverse product needs.
2. *Market segmentation* is the process of dividing the total market into groups or segments that have relatively similar product needs for the purpose of designing a marketing mix which precisely matches the needs of individuals in a

selected segment. It is appropriate for heterogeneous markets.

a) A *market segment* consists of individuals, groups, or organizations with one or more similar characteristics which cause them to have relatively similar product needs.

b) There are five conditions for effective segmentation.

   (1) Consumers' needs for the product must be heterogeneous.

   (2) The segments must be identifiable and divisible.

   (3) The total market should be divided so segments can be compared with respect to estimated sales potential, costs, and profits.

   (4) At least one segment must have enough profit potential to justify the development and maintenance of a special marketing mix for that segment.

   (5) The organization must be able to reach the chosen segment with a particular marketing mix.

3. A *concentrated targeting strategy* is a strategy in which an organization targets a single market segment using one marketing mix.

   a) Advantages

      (1) Specialization gives the organization an opportunity to carefully analyze the characteristics and needs of a distinct customer group and then focus all marketing efforts into satisfying that group's needs.

      (2) A firm can generate large sales volume by reaching a single segment.

      (3) A firm with rather restricted resources is able to compete with much larger organizations.

b) Disadvantages

(1) If the segment's demand for the product declines, the company's financial strength also declines.

(2) Success in one segment may preclude entry into another segment.

C. **Differentiated Targeting Strategy through Market Segmentation**

A *differentiated targeting strategy* is a strategy in which an organization targets two or more segments by developing a marketing mix for each segment.

1. Advantages
   a) A business can increase its sales in a total market by focusing on more than one segment.
   b) Sales to additional market segments may absorb excess production capacity.
2. Disadvantages
   a) A greater number of production processes, materials, and skills mean higher production costs.
   b) Several distinct promotion plans and distribution methods are required, resulting in higher marketing costs.

IV. **Step 2: Determine Which Segmentation Variables to Use**

A. ***Segmentation variables* are characteristics of individuals, groups, or organizations that are used to divide a market into segments.**

1. A segmentation variable should be related to customers' needs for, uses of, or behavior toward the product.
2. The variable must be measurable.
3. The company's resources and capabilities determine the number and size of segment variables used.

4. Choice of segmentation variables is a critical step because an inappropriate variable limits the chances of developing a successful marketing strategy.

B. **Variables for Segmenting Consumer Markets**

1. **Demographic Variables**

a) Demographic characteristics marketers commonly use in segmenting markets include age, gender, race, ethnicity, income, education, occupation, family size, family life cycle, religion, and social class.

b) Marketers rely on these demographic characteristics because they are often closely linked to customers' needs and purchasing behaviors, and can be readily measured.

(1) Marketers need to be aware of age distribution and how that distribution is changing; children in particular have greater influence over spending patterns.

(2) Gender is another demographic variable commonly used to segment markets, including the markets for clothing, soft drinks, nonprescription medications, toiletries, magazines, and even cigarettes.

(3) Marketers also use race and ethnicity as variables for segmenting markets for such products as food, music, clothing, and cosmetics; also for services such as banking and insurance.

(4) Income affects people's ability to buy and their desires for certain lifestyles.

(5) Marital status and the presence and age of children—characteristics often combined and called the *family life cycle*—affect needs for housing,

appliances, food and beverages, automobiles, and recreational equipment.

(a) The composition of the American household in relation to the family life cycle has changed considerably over the last several decades, meaning that the "typical" family no longer consists of a married couple with children.

(b) Tracking these changes helps marketers satisfy the needs of particular target markets through new marketing mixes.

(6) Marketers also use many other demographic variables, including education level and occupation.

2. **Geographic Variables**

a) Geographic variables—climate, terrain, city size, population density, and urban/rural areas—also influence consumer product needs.

(1) Markets may be divided into regions because one or more geographic variables can cause customers to differ from one region to another.

(2) Some marketers focus efforts on cities of a certain size.

(3) The U.S. Census Bureau developed a system to classify metropolitan areas (any area with a city or urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000).

(a) A metropolitan statistical area (MSA) is an urbanized area encircled by non-metropolitan counties and is neither socially nor economically dependent on any other metropolitan area.

(b) A metropolitan area within a complex of at least 1 million inhabitants can elect to be named a primary metropolitan statistical area (PMSA).

(c) A consolidated metropolitan statistical area (CMSA) is a metropolitan area of at least 1 million consisting of two or more PMSAs.

b) *Market density* refers to the number of potential customers within a unit of land area, such as a square mile.

c) *Geodemographic segmentation* clusters people in ZIP-code areas and even smaller neighborhood units based on lifestyle and demographic information.

d) *Micromarketing* focuses precise marketing efforts on very small geographic markets, such as community, and even neighborhood markets.

3. **Psychographic Variables**

A psychographic variable can be used by itself to segment a market or combine with other types of segmentation variables. The following are the types most commonly used to segment markets.

a) Personality characteristics

(1) These can be useful for segmentation when a product resembles many competing products and consumers' needs are not greatly affected by other segmentation variables.

(2) Marketers almost always select personality characteristics which are positively viewed by many people.

b) Motives

(1) A market is divided according to consumers' reasons for making a purchase.

(2) Personal appearance, affiliation, status, safety, and health are examples of motives affecting the types of products purchased and the choice of stores in which they are bought.

c) Lifestyle segmentation

(1) Lifestyle segmentation groups individuals according to how they spend their time, importance of things in their surroundings, beliefs about themselves and broader issues, and some demographic characteristics.

(2) This variable encompasses numerous characteristics related to people's activities, interests, and opinions.

(3) One of the more popular programs which studies lifestyle is conducted by the Stanford Research Institute's Value and Lifestyle Program (VALS), which classifies consumers into eight basic groups (Innovators, Thinkers, Achievers, Experiencers, Believers, Strivers, Makers, and Survivors) based on psychological characteristics which are correlated with purchase behavior and four key demographics.

4. **Behavioristic Variables**

a) Firms can divide a market according to some feature of consumer behavior toward a product, commonly involving some aspect of product use.

b) How consumers use or apply the products may also determine segmentation.

c) *Benefit segmentation* is the division of a market according to benefits that consumers want from the product.

d) The effectiveness of benefit segmentation depends on three conditions:
   (1) The benefits sought must be identifiable.
   (2) Using these benefits, marketers must be able to divide people into recognizable segments.
   (3) One or more of the resulting segments must be accessible to the organization's marketing efforts.

C. **Variables for Segmenting Business Markets**
   1. **Geographic Location:** Variations in organizations' demands result from differences in climate, terrain, consumer preferences, or similar factors.
   2. **Type of Organization:** Required product features, distribution systems, price structures, and selling strategies may vary among different types of organizations.
   3. **Customer Size:** An organization's size may affect the purchasing procedures and types and quantities of products desired.
   4. **Product Use:** How an organization's product uses affects the types and amounts of products purchased and the manner in which they are purchased.

V. **Step 3: Develop Market Segment Profiles**
   A. Market segment profiles describe the similarities among potential customers within a segment and explain the differences among people and organizations in different market segments.
   B. A profile can deal with demographic characteristics, geographic factors, product benefits sought, lifestyles, brand preferences, or usage rates.
   C. Market segment profiles provide marketers with an understanding of how a business can use its capabilities to serve potential customer groups.

VI. **Step 4: Evaluate Relevant Market Segments**

A. **Sales Estimates**

1. Potential sales for a segment can be measured along several dimensions, including product, geographic area, time, and level of competition.

2. *Market potential* is the total amount of a product for all firms in an industry which customers will purchase within a specified period at a specific level of industry-wide marketing activity.

   a) It can be stated in terms of dollars or units and can refer to a total market or to a market segment.

   b) When analyzing market potential, it is important to indicate the time frame and the level of industry marketing activities.

3. *Company sales potential* is the maximum percentage of market potential that an individual firm within an industry can expect to obtain for a specific product.

   a) Factors which influence a company's sales potential are the size of the market's sales potential, the magnitude of industry-wide marketing activities, and the intensity and effectiveness of the organization's marketing activities relative to those of its competitors.

   b) There are two general approaches to measuring company sales potential: breakdown and buildup.

      (1) The *breakdown approach* measures company sales potential based on a general economic forecast for a specific time period and the sales potential derived from it. The marketing manager starts with broad comprehensive forecasts of general economic activity, estimates market potential, and then estimates the company's sales potential.

(2) The *buildup approach* measures company sales potential by estimating how much of a product a potential buyer in a specific geographic area will purchase in a given time period, multiplying the estimate by the total number of potential buyers in that area, and adding the totals for each area to calculate market potential.

B. **Competitive Assessment**

1. Sales estimates may be misleading without competitive information.
2. Several questions must be asked about competitors in the segments being considered.
   a) How many competitors exist?
   b) What are their strengths and weaknesses?
   c) Do several competitors have major market shares and together dominate the segment?
   d) Can our company create a marketing mix to effectively compete against competitors' marketing mixes?
   e) Is it likely that new competitors will enter this segment?
   f) If so, how will they affect our organization's ability to successfully compete?

C. **Cost Estimates**

1. Meeting the needs of a target segment can be expensive.
2. If costs are too high, marketers may treat the segment as inaccessible.

VII. **Step 5: Select Specific Target Markets**

A. Marketers first decide whether there are enough differences in customers' needs to warrant the use of market segmentation.

1. If customer needs are homogeneous, the undifferentiated approach may be the best choice.

2. If customer needs are heterogeneous, then one or more target market must be selected.

B. The firm's management must consider whether the organization has the financial resources, managerial skills, employee expertise, and facilities to enter and effectively compete in selected segments.

C. Selecting the right target markets is essential to developing a successful marketing strategy. Failure to do so can lead to high costs, low sales and severe financial losses.

VIII. Product Positioning and Repositioning

A. *Product positioning* refers to the decisions and activities intended to create and maintain a certain concept of a product (relative to competitive brands) in customers' minds. When marketers introduce a product, they try to position it so it appears to have the characteristics the target market most desires.

B. **Perceptual Mapping**

1. A product's position is the result of customers' perceptions of the product's attributes relative to those of competitive brands; buyers tend to group, or "position," products in their minds to simplify buying decisions.
2. Marketers often try to influence and shape consumers' concepts or perceptions of products through advertising.
3. Marketers sometimes analyze product positions by developing perceptual maps, which are created by questioning a sample of consumers about their perceptions of products, brands, and organizations with respect to two or more dimensions .

C. Bases for Positioning

1. A common basis for positioning products is to use competitors: a firm can position a product to compete head on with another brand or to avoid competition.
   a) Head-to-head competition may be a marketer's positioning objective if the product's performance characteristics are at least equal to those of competitive brands and if the product is lower priced.
   b) Positioning to avoid competition may be best when the product's performance characteristics do not differ significantly from competing brands.
   c) Positioning a brand to avoid competition may be appropriate when that brand has unique characteristics important to buyers.
   d) Avoiding competition is critical when a firm introduces a brand into a market in which it already has one or more brands to avoid cannibalizing sales of its existing brands.
2. A product's position can be based on specific product attributes or features.
3. Other bases for product positioning include price, quality level, and benefits provided by the product.

D. Repositioning

1. Positioning decisions are not just for new products.
   a) Evaluating the positions of existing products is important because a brand's market share and profitability may be strengthened by product repositioning.
   b) When introducing a new product into a product line, one or more existing brands may have to be repositioned

to minimize cannibalization of established brands and ensure a favorable position for the new brand.

2. Repositioning can be accomplished by physically changing the product, its price, its distribution, its promotion, or by aiming it at a different target market.

IX. **Developing Sales Forecasts**

A. A *sales forecast* is the amount of a product the firm actually expects to sell during a specific period at a specified level of marketing activities.

1. Businesses use the sales forecast for planning, organizing, implementing, and controlling activities.
2. Common problems in companies that fail are improper planning and lack of realistic sales forecasts.
3. Sales forecasting techniques fall into five categories.

B. **Executive Judgment**

Executive judgment is based on the intuition of one or more executives.

1. It is inexpensive and expedient.
2. It works reasonably well when product demand is relatively stable and the forecaster has years of market-related experience.
3. It is unscientific.

C. **Surveys**

1. A *customer forecasting survey* is an analysis about the types and quantities of products customers intend to buy during a specific period.
   a) Customers must be willing and able to make accurate estimates of future product requirements.
   b) Surveys reflect buying intentions, not actual purchases.
   c) Surveys consume much time and money.

2. A *sales force forecasting survey* consists of estimates by an organization's salespeople of their anticipated sales within territories for a specified period.
   a) On a daily basis, the sales staff is closer to customers than other company personnel and, therefore, should know more about customers' future product needs.
   b) Forecasts can be prepared for single territories, divisions consisting of several territories, regions made up of multiple divisions, or the total geographic market.
   c) For the survey to be effective, salespeople as a group must be accurate—or at least consistent estimators.
   d) Assuming that the survey is well administered, the sales force can have the satisfaction of helping to establish reasonable sales goals.
   e) Salespeople should be assured that their forecasts are not used to set sales quotas.
3. The *expert forecasting survey* is a sales forecast prepared by professionals, such as economists, management consultants, advertising executives, college professors, or other persons outside the organization with solid experience in a specific market.
4. The *Delphi technique* is a procedure in which experts create initial forecasts, submit them to the company for averaging, and have the results returned to them for individual refined forecasts. The ultimate goal is to develop a highly accurate sales forecast.

D. **Time Series Analysis**

With *time series analysis*, a forecaster uses the organization's historical sales data to discover a pattern, or patterns, in sales over time and generally involves trend, cycle, seasonal and random factor analyses.

1. *Trend analysis* focuses on aggregate sales data from a period of many years to determine whether annual sales are generally rising, falling, or staying about the same.
2. *Cycle analysis* is examination of sales figures over a period of three to five years to ascertain whether sales fluctuate in a consistent, periodic manner.
3. *Seasonal analysis* is an analysis of daily, weekly, or monthly sales figures to evaluate the degree to which seasonal factors influence sales.
4. *Random factor analysis* attempts to attribute erratic sales variations to random, non-recurrent events.

E. **Regression Analysis**

Regression analysis is a method of predicting sales based on finding a relationship between past sales and one or more variables such as population, per capita income, or gross domestic product.

1. Simple regression analysis uses one independent variable, whereas multiple regression analysis includes two or more independent variables.
2. These methods are useful only when a precise relationship can be established and are therefore futile when no historical data exists, as with new products.

F. **Market Tests**

A *market test* involves making a product available to buyers in one or more test areas and measuring purchases and consumer responses to distribution, promotion, and price.

1. Market tests provide information about consumers' actual rather than intended purchases.
2. They are effective in estimating sales of new products or of existing products in new geographic areas.

3. The chief disadvantages of market tests are that they are time-consuming and expensive.

G. **Using Multiple Forecasting Methods**

1. Although some businesses rely on a single sales forecasting method, most use several techniques to attempt to validate the results from one technique.
2. Methods used for short-range forecasts are often inappropriate for long-range forecasting.

4.5 SUMMARY

A positioning is the way that a rural brand fits into targeted market segments relative to competitors. Rural marketers try to establish differentiated brand benefits to stand out from competitors. Ultimately, customers decide how to react to a company's brand and position relative to others. When conducting positional analysis, the key is to determine what position the company intends to have and how its brand is actually perceived by customer markets.

4.6 Keywords

Targeting, Positioning, Strategy and Segmentation

4.7 REFERENCES/SUGGESTED READINGS

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4.8 Answers to check your progress

1. Target Market
2. Consumer Market
3. Market Positioning

4.9 SELF ASSESSMENT QUESTIONS

1. What are Markets? Explain.
2. Define Target markets and explain it.
3. Explain in detail about the Target market Selection process.
4. What is Market Positioning?

UNIT 5: RURAL CONSUMER BEHAVIOR

STRUCTURE

5.0 Introduction
5.1 Objective
5.2 Meaning of Rural Consumer Behavior
5.3 Simple model of rural consumer behavior
5.4 Cultural Factors influencing Consumer behavior
5.5 Summary
5.6 Keywords
5.7 References/Further Reading
5.8 Answers to CHECK IN PROGRESS
5.9 Self Assessment Questions

5.0 INTRODUCTION

The ultimate objective of all production is consumption for the satisfaction of varied needs of man. A free market economy provides freedom to the consumers to buy and consume goods of their choice. Buying preferences of the consumers send signals to the producers to produce various commodities in required quantities. Producers, therefore, produces only those commodities which are desired by the consumers. Consumer behaviour is related to likes and dislikes and expectations of the consumers. Consumer behaviour has changed in recent years owing to enhanced awareness, information technology and more importantly governmental intervention through legislations. Thus, the manufacturers are more cautious in dealing with consumers of their respective products.

5.1 OBJECTIVE

After reading this lesson, you will be able-

- To develop an insight into rural marketing regarding different concepts and basic practices in this area.
- To discuss the challenges and opportunities in the field of rural marketing.

Rural Consumer Behaviour - The Preface

The rural consumers in India account for about 73 percent of the total consumers. In recent years, the lifestyle of a large number of rural consumers in India has changed dramatically and the process of change is on. The buying behaviour of the rural consumers is influenced by several factors such as socio-economic conditions, cultural environment, literacy level, occupation, geographical location, efforts on the part of sellers, exposure to media etc. The consumer movement in India till now has been confined to the middle class citizens in urban areas. It has yet to spread among the masses in rural areas.

Consumer behavior in the rural market is even more perplexing because of a singular Lack of consistency in groups which are homogeneous in parameters of demographics- Age, occupation, education and income. Most marketers realize that India is on the cusp of momentous change. The economy is vibrant, incomes are rising & the habits, preferences & attitude are changing rapidly. But nowhere is it more evident than in rural India. There is, thus an emerging need to build expertise in rural marketing. There are three challenges that rural marketers must overcome. The first of this is the challenges of reach-markets in the rural India that are small & scattered making them inaccessible & unreliable or both. But this problem is not new & many companies let it hamper them unduly even as others overcome it with

innovation. The next challenge is to ensure that the consumers are aware of your brand and want it. The third challenge in RM is influence. It is an old saying that customer is the king because he is the person whose decision have affect on the demand of any product or service. The attitude of consumer or buyer decides how demand will emerge for a new product & service & how existing goods and services would survive in future and in which manner. The study of consumer behavior implies how & why a particular consumer reacts to the decisions of producers. The study of consumer behavior is the study of how individual make decision to spend their available resources (time, money, effort) on consumption related items. It includes the study of why they buy it, when they buy it, where they buy it, how often they buy it & how often they use it.

In recent days, consumer India is at the point where there is a multiplicative effect of income growth, aspiration to consume and a changed consumption, friendly ideology/ social discourse across the income board, especially in rural India. Hence, the buying behaviour of rural consumers has become a hot topic for discussion because rural India, in recent days, is enthusiastically consuming everything from shampoo to motor cycles and this "rural predilection" is being considered as one of the significant topics of market analysis. Besides, we know well that purchase decisions in Indian homes have become a collective process with women and teenage children playing a major role.

Rural Buyer - Seller (Producer) Matrix			
		Seller	
		Rural	**Urban**
Buyer	**Rural**	I Intra Rural (All Products)	II Consumer Goods / Services / Farm inputs, implements and machinery
	Urban	III Farm and Non Farm Products	IV Intra Urban

Rural Buyer-Seller Matrix

If there is any one part of consumer India that epitomizes the line every truism about India can be contradicted by another truism, it is the rural consumer India. Often marketers do not invest a great deal of effort in understanding rural consumers and hence fail to develop suitable marketing strategies. Most of the time efforts are in the form of blinkered inside out approaches. At worst, it comes in the form of tinkering to strip features and creating no frills models of a feature rich expensive product without a concern for what the rural consumers would consider to be frills and essentials. At best, it has been seen in the form of letting R&D loose in their spare time to invent things that the poor can use based on the stereotypical image of the poor as illiterate, uninformed and primitive. The result has been specially created new products which are low priced but are light years behind in sophistication. In either case they usually fail to connect with the market. Thus unless marketers are

able to understand rural consumers it is almost impossible to develop effective marketing strategies to cater to this huge untapped market.

5.1.1 SEVERAL MYTHS ABOUT THE RURAL SECTOR

- The belief that rural people do not buy brands.
- The belief that rural customer buy cheap products. In reality they seek value for
  Money.
- The belief that the rural market is homogenous mass. In fact it is fascinatingly
  heterogeneous.

The census of India defines rural as any habitation with a population density of less than 400 per square kilometers where at least 75% of male working population is engaged in agriculture & where there exists no municipality or board leaning aside Hindustan Uniliver Limited & ITC, most companies in the FMCG sector would define rural as any place with the population up to 20,000. Rural consumers are fundamentally different from their urban counterparts & different rural geographies display considerable heterogeneity calling for rural specific & region specific strategies e.g. a farmer in rural Punjab is much more progressive than his counterpart in Bihar. A farmer in Karnataka is far more educated than one in Rajasthan & so on. An urban individual is free to take independent purchase decision. In a village, because of strong social structure, including caste consideration and low literacy level, community decision. making is quite common. Companies face many challenges in tackling the rural markets. Marketing is all about "Getting to know your customer". But having largely ignored this cardinal principle, most corporate in rural markets find that success has eluded them.

The rural market account for market worth of 27$ billion. About 285 millions live in urban India whereas 792 million resides in rural areas. 72% of India's population resides in its 600000 villages. Many companies like Colgate-Palmolive, HCL & Godrej etc. have already furrows into rural households but still capturing the market is a different dream.

For quite some time now, the life of the rural India has been the subject of animated discussions in the corporate suites, with the urban markets getting saturated for several categories of consumer goods and with rising rural income. For example, Tata chemicals ran a chain called Tata Kisan Kendra which offered services ranging from agriculture input to financing to advisory services. Hindustan Levers is offering deals to farmers to cover operation from the pre harvest to post harvest stage. Mahindra & Mahindra limited, India's largest farm equipment company & its subsidiary Mahindra Shubhlabh services has operated in eleven states with 7 lacs strong Mahindra tractor customer base& 400+ dealers provide a complete range of products and services to improve farm productivity and establish market linkages to the commodity market chain. The objective of this article is therefore threefold. The first objective is to develop a framework used to study consumer behavior in rural market. The second objective is to apply this frame work to examine and understand consumer behavior in rural areas. The last objective is to prefer generalization and recommendation to those wishing to market their product\services in the rural market.

5.2 MEANING OF RURAL CONSUMER BEHAVIOR

Consumer Buyer Behavior refers to the buying behavior of final consumers - individuals and households who buy goods and services for personal consumption. All of these final consumers combined make up

the consumer market. The consumer market in this case is Rural India. About 70% of India's population lives in rural areas. There are more than 600,000 villages in the country as against about 300 cities and 4600 towns. Consumers in this huge segment have displayed vast differences in their purchase decisions and the product use. Villagers react differently to different products, colours, sizes, etc. in different parts of India. Thus utmost care in terms of understanding consumer psyche needs to be taken while marketing products to rural India. Thus, it is important to study the thought process that goes into making a purchase decision, so that marketers can reach this huge untapped segment.

Rural Consumer Buyer Behavior refers to the buying behavior of the final consumers – individuals and households who buy goods and services for personal consumption. All of these final consumers together make the consumer market. And in case of rural India where about 70% of Indian population lives the market is quite huge presenting an attractive opportunity for businesses.

Check your progress

1. ________ is all about "Getting to know your customer"
2. ________ refers to the buying behavior of final consumers - individuals and households who buy goods and services for personal consumption.
3. ________is the difference between the desired state and the actual state.

5.2.1 PROFILE OF RURAL CONSUMER

1. Size of the rural consumer
2. Location pattern of rural consumer
3. Low literacy level of rural consumer
4. Occupation of rural consumer
5. Income of rural consumer
6. Savings of rural consumer
7. Reference groups: Primary health workers, doctors, teachers, and panchayat members.
8. Conscious customer: Though not educated, very conscious about value for money.
9. Brand loyalist
10. High degree of involvement: He checks and rechecks particularly for purchasing expensive and durable products.
11. Interpersonal communication: Its accounts 80% of the communication process in village. Hence word of mouth recommendation by users has great influence.
12. Media habits: TAMASHA in Maharashtra and NAUTANKI in UP is a popular form of entertainment which can be used as promotional media.

5.2.2 CLASSIFICATION OF RURAL CUSTOMER

1. ***Affluent Group:*** This group is very small and almost negligible. This group can afford luxury products. E.g. chilly merchants in Guntur (AP) and wheat farmers in Punjab.
2. ***Middle Class:*** This class is about 300 million in size and continues goes on expanding. It forms the base for demand of manufactured goods in the country. E.g. jute farmers in West Bengal and sugarcane farmers in UP.

3. ***Poor:*** This class is about 250 million in size. Their purchasing power is very low. E.g. poorest farmers of jawar and bajra of Bihar and Orissa.

5.3 SIMPLE MODEL OF RURAL CONSUMER BEHAVIOUR

Need recognition

It is the difference between the desired state and the actual state. A rural consumer first recognizes his needs and accordingly thinks of purchasing the product. This is the first step in the simple decision making model. For instance a farmer in a rural area wants to purchase a color television.

Pre purchase search

After the need has been identified, the next step is to do a pre purchase search. Pre purchase search is of two types namely internal search using ones memory and external search which involves getting more information from friends or relatives (word of mouth). Marketer dominated sources, comparison shopping, public malls etc. A successful information search leaves a buyer with possible alternatives, the evoked set. Here the farmer may go to a nearby city and visit a showroom that has multiple products.

Evaluation of alternatives

This third step is to basically pick the best alternative from the available. In this step the buyer needs to establish criteria for evaluation. He makes a decision about what features he wants or does not want in the product. Accordingly ranks are given to the alternatives. The farmer may look for products of Videocon, Onida, and LG that is available with the dealers and finally select one of them. If he is not satisfied with the

choice made the buyer can return to the search phase. Also marketers try to influence the buyer by framing alternatives.

Purchase decision

This is action that results in the purchase of the product from among available alternatives. The customer may plan to purchase a specific product that suits his needs and is within his budget, etc. This includes product, package, store, method of purchase among other things.

- For example the farmer may plan to go for LG's Sampoorna Colour Television as it has a vernacular onscreen display, better sound and superior picture quality. Besides it is priced at only Rs 8,500.

Purchase

This involves the actual purchase of the product. However it may differ from the decision due to time lapse between the purchase decision and the actual purchase or may also depend upon the availability of the product.

Post purchase behaviour

This is the final step in the simple model of consumer behaviour. The buyer's relationship with the seller does not come to an end with the purchase especially in the case of consumer durables. This is not an important factor for FMCG. The farmer may see whether LG has a service centre nearby in case the product needs servicing. It is found that the main elements studied for analyzing rural consumer decision making process are media exposure, purchase aspects, behaviour of the consumer towards price, quality relations, credit and influence of the retailer.

5.4 CULTURAL FACTORS INFLUENCING CONSUMER BEHAVIOR

Cultural factors exert the broadest and deepest influence on consumer behaviour. The marketer needs to understand the role played by the buyer's culture. Culture is the most basic element that shapes a person's wants and behaviour. In India, there are so many different cultures, which only goes on to make the marketer's job tougher. Some of the few cultural factors that influence buyer behaviour are:

1. ***Product*** (color, size, design, and shape): There are many examples that support this point.

a. For example, the Tata Sumo, which was launched in rural India in a white colour, was not well accepted. But however, when the same Sumo was re- launched as Spacio (a different name) and in a bright yellow colour, with a larger seating capacity and ability to transport good, the acceptance was higher.

b. Another good example would be Philips audio systems. Urban India looks at technology with the viewpoint of 'the smaller the better'. However, in rural India, the viewpoint is totally opposite. That is the main reason for the large acceptance of big audio systems. Thus Philips makes audio systems, which are big in size and get accepted in rural India by their sheer size.

2. ***Social practices:*** There are so many different cultures, and each culture exhibits different social practices. For example, in a few villages they have common bath areas. Villagers used to buy one Lifebuoy cake and cut it into smaller bars. This helped lifebuoy to introduce smaller 75-gram soap bars, which could be used individually.

3.Decision-making by male head: The male in Indian culture has always been given the designation of key decision maker. For example, the Mukhiya's opinion (Head of the village), in most cases, is shared with the rest of the village. Even in a house the male head is the final decision maker. In rural areas, this trend is very prominent.

4. ***Changes in saving and investment patterns:*** From gold, land, to tractors, VCR's, LCV's

4 A's approach of Indian Rural Market

The rural market may be appealing but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media. However, the rural consumer is not unlike his urban counterpart in many ways. The more daring MNC's are meeting the consequent challenges of availability, affordability, acceptability and awareness (the so-called 4 A's)

» **Availability**

The first challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. However, given the poor state of roads, it is an even greater challenge to regularly reach products to the far-flung villages. Any serious marketer must strive to reach at least 13,113 villages with a population of more than 5,000. Marketers must trade off the

distribution cost with incremental market saturation. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market. To service remote village, stockiest use auto rickshaws, bullock-carts and even boats in the back-waters of Kerala. Coca-Cola, which considers rural India as a future growth driver, has evolved a hub and spoke distribution model to reach the villages. To ensure full loads, the company depot supplies, twice a week, large distributors which who act as hubs. These distributors appoint and supply, once a week, smaller distributors in adjoining areas. LG Electronics defines all cities and towns other than the seven metros cities as rural and semi-urban market. To tap these unexplored country markets, LG has set up 45 area offices and 59 rural/remote area offices.

» **Affordability**

The second challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. Some companies have addressed the affordability problem by Introducing small unit packs. Most of the shampoos are available in smaller packs. Fair and lovely was launched in a smaller pack. Colgate toothpaste launched its smaller packs to cater to the travelling segment and the rural consumers. Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs, priced at Rs 4-5 meant specifically for Madhya Pradesh, Bihar and Uttar Pradesh — the so-called `Bimaru' States. Hindustan Lever, among the first MNC's to realize the potential of India's rural market, has launched a variant of its largest selling

soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets. Coca-Cola has also introduced Sunfill, a powdered soft-drink concentrate. The instant and ready-to-mix Sunfill is available in a single-serve sachet of 25 gm priced at Rs 2 and multi serve sachet of 200 gm priced at Rs 15.

» **Acceptability**

The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics. In 1998, it developed a customized TV for the rural market and christened it Sampoorna. It was a runway hit selling 100,000 sets in the very first year. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice boxes — a tin box for new outlets and thermocol box for seasonal outlets. The insurance companies that have tailor-made products for the rural market have performed well. HDFC Standard LIFE topped private insurers by selling policies worth Rs 3.5 crores in total premium. The company tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group insurance covers. With large parts of rural India inaccessible to conventional advertising media — only 41 per cent rural households have access to TV — building awareness is another challenge. Fortunately, however, the rural consumer has the same likes as the urban consumer — movies and music — and for both the urban and rural consumer, the

family is the key unit of identity. However, the rural consumer expressions differ from his urban counterpart. Outing for the former is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan. Consumption of branded products is treated as a special treat or luxury.

» **Awareness**

Brand awareness is another challenge. Fortunately, however, the rural consumer has the same likes as the urban consumer — movies and music — and for both the urban and rural consumer, the family is the key unit of identity. However, the rural consumer expressions differ from his urban counterpart. Outing for the former is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan. Consumption of branded products is treated as a special treat or indulgence.

Hindustan Lever relies heavily on its own company-organized media. These are promotional events organized by stockiest. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language. Coca-Cola uses a combination of TV, cinema and radio to reach 53.6 per cent of rural households. It doubled its spend on advertising on Doordarshan, which alone reached 41 per cent of rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media. LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising. Philips India uses wall writing and radio advertising to drive its growth in rural areas.

The key dilemma for MNC's ready to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins.

5.4.1 UNDERSTANDING RURAL CONSUMER

In the initial years the focus was on the easily accessible well developed urban market. Soon there was proliferation of brands and intense competition resulting in the near saturation of the urban market. This forced companies to go for greener a pasture that is new markets. All eyes turned to the world most promising potential market of 742 million rural consumers, who had yet to taste the fruit of modernity. A promise that seemed ready to be fulfilled because of explosion in the buying capacity in the rural sector.

5.4.2 RURAL CONSUMER PROTECTION

Consumer protection has historically not given in India especially in rural market. And government has recently attempted to set up consumer forums. The growing number of rural people working in urban India, but continuing to live in their villages, has brought an item of conspicuous consumption in to the village. This is supplemented by villagers who have migrated to urban India, but visit their village during holidays with gifts for their family and friends. This has stoked the curiosity of hitherto satisfied villagers. The rural consumer though not dissatisfied with his shopping basket, is now ready to buy products that does not view as basic necessities, or as essential to everyday life. The new consumer is born and growing day by day.

5.5 SUMMARY

Much of the discussion in the chapter had noted the possibilities of establishing the foot holds in rural market. First, these kinds of markets are heterogeneous; hence the marketer should frame different

strategies to sell their products. However it must be noted that it is possible to capitalize on the similarities among the rural markets. The most important difference between rural and urban is in the degree of sophistications of the consumers. Urban consumers are generally familiar with such products, their attitude and value related to purchase and consumption will be different. Here the marketer may have to work harder to sell their goods in rural area because of diversity of values and attitudes present in these regions.

5.6 Keywords

Rural Buyer Behaviour, Rural Consumer, Rural Sectors and Rural Consumer Protection.

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5.8 Answers to Check your progress

1. Marketing
2. Consumer Buyer Behaviour
3. Need Recognition

5.9 SELF ASSESSMENT QUESTIONS

1. Defile Rural consumer behaviour

2. Briefly explain the profile and classification of rural consumer

3. Briefly explain the simple model of rural consumer behavior.

4. Explain in detail about the Rural consumer Protection

UNIT 6: RURAL CONSUMER DECISION MAKING

STRUCTURE

6.0 Introduction
6.1 Objective
6.2 Definition of Consumer buying decision
6.3 Factors influencing Buying behavior
6.4 Innovative marketing strategic decisions
6.5 Summary
6.6 Keywords
6.7 References/Further Reading
6.8 Answers to Check in Progress
6.9 Self Assessment Questions

6.0 INTRODUCTION

India is the second largest consumer market in the world. With over 1 billion potential customers, it comes as no surprise why consumer goods companies see India as fertile ground for expansion and growth. The National Council for Applied Economic Research (NCAER) published a study on consumer behaviour and purchasing power in India. The NCAER classified Indian consumers by their propensity to consume. At the lower end of the scale (the destitute and aspirants) are consumers who are in the market for manufactured essential consumables and basic durables. At the top end of the scale (the Very Rich) is a relatively small but rapidly growing segment for branded international products ranging from automobiles and electronics to cosmetics and garments, often at international prices. The middle segment (majority of the consumers and the climbers) is highly differentiated, and price sensitive,

requiring a targeted approach to product design and pricing. Over the years, the bottom layer is expected to narrow further while the top level is expected to expand.

It is a fact that unlike a few years ago, the rural youth today are playing a far more significant role in influencing the purchases of radios, television (black and white as well as colour). Penetration levels of consumer durables in the rural sector have risen dramatically in the last decade or so. It is observed that rural women are out of the closet completely...but unlike ten years ago (when she had probably an insignificant or no role to play) today, she is exercising her choice in select categories- the choice of brands may still be with the males of the household. But yes, in this context the youth have certainly begun to play a role in selecting a brand in certain product categories.

Here it is often observed that there is a tendency to follow the trends of nearest metro. Just like so many youth in Mumbai aspire to be in U.S.A., the rural youth aspire to be in Mumbai, Chennai or Calcutta and so on. This is like a yardstick- the city plays the yardstick in terms of the development in the village.

Studies suggest that the rural youth are playing an increasingly important role in purchase decisions. They are ones who actually travel out in the village frequently. So they are the real drivers of the rural market. They may not be the final customers (those who pay money) but often they are the people who influence the purchase of high value products and they decide which brands to choose.

The motivators for purchase of a rural consumer are different from those in the urban consumer. Therefore we are talking about rural youth. But when we talk about youth, we refer to the age group of 15 to

25. In rural India; it is the age group between 8 and 15 that influence most purchases-more than any other group. This is largely because they tend to retain messages and often play back these messages to others too. Just to give an example: Recently fair and Lovely soap in a village in Bihar. Its TV commercial (chaand ka tukda) had debuted on prime time TV. The village kids played back the whole commercial word by word with the product benefits, the product promise and so on. The company team was quite surprised as they were targeting the rural women and they observed kids who played back the commercial. So it's the 8 to 15 age group that has assumed importance. Even HLL and Colgate have begun targeting this age group in their commercials.

Also, another typical rural phenomenon is that kids are sent by their mothers to purchase something without specifying a brand. So kids tend to ask for products they have seen or heard on radio or TV. So to a large extent, kids are driving this change as much as youth.

Rural markets have long been the last resort of the beleaguered Indian marketer. Customers in India can be divided into the Urban, Rural and urban groups in terms of geography and sociological characteristics. Further, we may also consider behaviours in specific interaction contexts of these three markets.

6.1 OBJECTIVE

After reading this lesson you will be able-

- To see the size of the rural market in terms of durable and non-durable products.
- To explore the strategies related to marketing mix adopted by the Indian companies.

6.1.1 RURAL MARKET CUSTOMER v/s URBAN MARKET CUSTOMER

URBAN MARKET	RURAL MARKET
Mostly concentrated	Widely spread and scattered
High infrastructural level	Low infrastructural level
High density of population per sq km	Low density of population per sq km
Good physical connectivity and high mobility	Poor physical connectivity and low mobility
Incomes are more stable and permanent	People work in less certain environment
Occupations are government employment, business, industry etc.	Mostly agricultural occupation
Income received at regular income	Acute seasonality in income receipts
Large number of interactions with persons and less frequent between same persons	Less number of interactions with persons and more frequent between same persons
Social norms are less visible	Social norms influencing individuals
Cast influence indirect and less visible	Cast influence direct and strong
High exposure to variety of products	Low exposure to variety of products

High brand awareness	Low brand awareness
High exposure to marketing researchers and multiple source of information	Low exposure to marketing researchers and limited source of information
More convenient buying, more retail outlet per 1000 population	Less convenient buying, less retail outlet per 1000 population

6.2 DEFINITION OF CONSUMER BUYING DECISION

Buyer decision processes are the decision making processes undertaken by consumers in regard to a potential market transaction before, during, and after the purchase of a product or service. More generally, decision making is the cognitive process of selecting a course of action from among multiple alternatives. Common examples include shopping and deciding what to eat. Decision making is said to be a psychological construct. This means that although we can never "see" a decision, we can infer from observable behaviour that a decision has been made. Therefore we conclude that a psychological event that we call "decision making" has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

In general there are three ways of analyzing consumer buying decisions. They are:

- Economic models - These models are largely quantitative and are based on the assumptions of rationality and near perfect knowledge. The consumer is seen to maximize their utility. See consumer theory. Game theory can also be used in some circumstances.
- Psychological models - These models concentrate on psychological and cognitive processes such as motivation and need recognition.

They are qualitative rather than quantitative and build on sociological factors like cultural influences and family influences.

- Consumer behaviour models - These are practical models used by marketers. They typically blend both economic and psychological models.

There are 5 stages which a consumer often goes through when he/she around their Purchase. These stages also exist because of normal human psychology.

These 5 stages are :

- **Problem/Need Recognition**- This is in general the first stage in which the consumer recognizes that what essentially is the problem or need and hence accordingly a consumer can identify the product or kind of product which would be required by the consumer. Page text.
- **Information Search**- In information search, the consumer searches about the product which would satisfy the need which has been recognized by the consumer in the stage previous to this one.
- **Evaluation of Alternatives** - In this stage, the consumer evaluates the different alternatives which the consumer comes across, when the consumer was searching for information. Generally in the information search the consumer comes across quite a few products and thus now the consumer has to evaluate and understand which product would be properly suited for the consumer.
- **Purchase** - After the consumer has evaluated all the options and would be having the intention to buy any product, there could be now only two things which might just change the decision of the consumer of buying the product that is what the other peers of the consumer think of the product and any unforeseen circumstances.

Unforeseen circumstances for example in this case could be financial losses which led to not buying of the product.

- **Post Purchase Behavior** - After the purchase the consumer might just go through post purchase dissonance in which the consumer feels that buying the other product would be better. But a company should really take care of it, taking care of post purchase dissonance doesn't only spread good words for the product but also increases the chance of frequent repurchase.

Check your progress

1. ________ processes are the decision making processes undertaken by consumers in regard to a potential market transaction.
2. ________models concentrate on psychological and cognitive processes such as motivation and need recognition.
3. After the purchase the consumer might just go through _________ dissonance in which the consumer feels that buying the other product would be better.

6.3 FACTORS INFLUENCING BUYING BEHAVIOR

The various factors that affect buying behavior of in rural India are:

1 ***Environmental of the consumer*** - The environment or the surroundings, within which the consumer lives, has a very strong influence on the buyer behavior, egs. Electrification, water supply affects demand for durables.

2 ***Geographic influences*** - The geographic location in which the

rural consumer is located also speaks about the thought process of the consumer. For instance, villages in South India accept technology quicker than in other parts of India. Thus, HMT sells more winding watches in the north while they sell more quartz watches down south.

3 ***Family*** – it is an important buying decision making organization in consumer markets. Family size & the roles played by family members exercise considerable influence on the purchase decisions. Industry observers are increasingly realizing that at times, purchase of durable has less to do with income, but has more to do with the size of the family & that's where rural India with joint family structures, becomes an attractive proposition.

4 ***Economic factors*** – The quantum of income & the earning stream are one of the major deciding factors, which determine to a great extent, what the customer will be able to buy. Many people in the rural market are below poverty line & for large number of people, agriculture is the primary occupation. More than 70% of the people are in small-scale agricultural operation. These factors affect the purchase decision.

5 ***Place of purchase*** (60% prefer HAATS due to better quality, variety & price) Companies need to assess the influence of retailers on both consumers at village shops and at haats.

6 ***Creative use of product*** ex Godrej hair dye being used as a paint to colour horns of oxen, Washing machine being used for churning lassi. The study of product end provides indicators to the company on the need for education and also for new product ideas.

7 ***Brand preference and loyalty*** (80% of sale is branded items in 16 product categories)

6.4 INNOVATIVE MARKETING STRATEGIC DECISION

1. PRODUCT

Product plays an important role in strategic marketing decisions. Product innovation is in fact key to success in rural market, developing indigenous products that cater to the needs of rural consumers who demand quality products at an affordable cost. This requires substantial R & D and marketing research to better understand consumer behaviour and preference.

Case of marketing of shampoo in rural areas. Hair products were introduced to rural India in an attempt to capitalize on a culture where women take hair grooming extremely seriously. While rural women may wear faded saris and little jewelry, few step out without ensuring that their hair is in place. Consumer goods companies introduced a transplanted product from developed markets, the 2-in-1 shampoo/conditioner. Companies thought that women would be attracted to this product because it was cost-effective; however, initial sales were dismal. What companies failed to recognize is that most rural consumers had previously never used shampoo and did not value or understand the full benefits of conditioner.

Several years back, Hindustan Lever focused on product development strategies for rural consumers who still did not use shampoo in India. Their research indicated that a prevailing consumer habit in rural India was to use soap for hair and body care. Rather than try to change instilled consumer behaviour, product developer focused on creating an opportunity consumers wanted; a product that was

convenient and low-cost. The result was a new 2-in-1 soap, a product that cleans the hair and body, and is targeted towards consumers in rural areas.

Offering a variety of pack sizes at different prices has been one solution. However, unlike developed markets, consumer goods companies have to be particularly careful in developing their pricing strategy in developing countries such as India. While daily sachets of products are affordable to the rural consumer, if quantity discounts (common in developed markets) are large enough, street entrepreneurs will purchase the 'family pack' and retail it in loose form. The result is a lack of control over the quality of the product, brand presentation, and pricing.

Most of global products that multinationals companies manufacture are primarily for the tier one consumers* (Ref. Fig. No.-A) of the global markets. Those global products are then also sold to the tier 4 consumers, with least thought given whether those products are suitable for the tire 4 consumers. Inevitably, most of such global products fail to fulfill the needs of tier 4 consumers. "Other than medication, most branded items marketed on a global basis can best be described as luxuries. They ease or provide additional comforts and conveniences, or establish a person as belonging to a specific milieu". To be successful, companies need to nurture local markets and provide local solutions depending on the culture and consumer habits of a particular market.

For example, FMCG companies to sell more in the rural India, they have to be innovative in the delivery format. In India, the tier 4 consumers, because of higher price, earlier did not often purchase the shampoos sold by MNCs. Buying in small quantities is also practiced by the laborers in the urban areas of India who are being paid on a weekly

or daily basis. Many of them stay in single rooms or huts with little space. Lack of cash and space makes these people to shop every day in small quantities and hence single served sachets have become popular. Once the multinational companies started selling shampoos in single-served sachets priced at 50 paise/Re. 1, the sales of shampoos have increased to the extent that 30% of the personal care products are now sold in single-served packages. Sachets are no longer restricted to shampoos only; they have penetrated to other products such as edible oil, tea, jam etc. also. The sachets give these buyers an option of choosing different brands without locking too much cash.

Products that cater to local needs: Philips, which has operated in India since 1933, did well selling colour TV sets years ago, when competition was slim. Sales in rupee terms grew 22% a year on average between 1995 and 2001. Since then, that pace has slowed by more than half. With more competitors jumping in— 18 brands available in India today, compared with just three in 1991- Philips's market share was withering, even in the countryside. So in early 2001, Philips decided to devise new products just for the rural markets, like the wind-up radio. They used one speaker, instead of two, in the TV sets sold outside cities to make them more affordable. The size of the TV cabinets, meanwhile, was bumped up by about 10% over units sold in the cities to make the sets look bigger. Rural consumers might be able to afford only a 14-inch or 20-inch screen TV set, but "they want something that looks substantial" to show off to their neighbours, says Suresh Sukumaran, marketing director for television sets at Philips.

The result is that rural sales have become the new driver of growth for Philips in India. Last year, rural TV set sales grew 45%, while audio sales grew 14% at a time when the overall audio market declined by 7.8%.

2. PRICE

Income variability: India's wide income distribution implies that there exist multiple segments with very different levels of purchasing power. The challenges for consumer goods companies are to develop products that capture the entire spectrum of potential consumers.

EXHIBIT : DISTRIBUTION OF INCOME IN INDIA

Household category share	Annual income	Population size
Low income (59%)	Upto Rs. 22, 500	590 million
Lower middle income (25%)	22,500 to 45,000	250 million
Middle income (10%)	45,000 to 62,000	100 million
Upper-middle income (4%)	62,000 to 96,000	40 million
High income (2%)	Above Rs. 96,000	20 million

Source: National center for Applied Economic Research (NCAER) in India.

Focus on volume not margins

As we discussed the value equation in earlier part, the companies must concentrate on the lower segment which is quite sizeable in number. Therefore, the marketing strategies in rural India must be on large volumes over low margins and thus the overall profitability can be maintained.

A significant portion of the rural population is paid daily wages. Daily wage earners tend to have little stock of money, and, therefore, tend to make purchases only to meet their daily needs. The implication is that pack size and price points are critical to sales, and importantly, that

rural consumers view the purchase-tradeoff dilemma across a much wider range of product categories. As a result, the nature of competition is much greater; a beverage manufacture is not only competing with other manufacture in its category, but also with other products that consumers may consider one-off luxury purchases such as shampoo.

Hindustan Lever, a subsidiary of Unilever coined the term sachet. In tiny pillow-like plastic packets that contain about 20 millimeters of product, Unilever sells shaving gel, dishwashing liquid and toothpaste, to name just a few items. The sachets answer the needs of rural consumers who cannot, or are not used to, buying larger sizes and enables them to buy on a more frequent basis. This strategy provides a viable entry-level price for many rural consumers who want to try new products, and allows companies to drive volume sales. Today, Hindustan Lever's estimates- its shampoo sachets are sold in around 400,000 of India's 600,000 villages.

Lower prices: Many companies tend to bring their existing products at a much higher price and follow marketing strategies that are not in sync with what is required to sell to the consumer at the bottom of the pyramid. Hence, they end up serving the high-end niche players. This is what happened to Kellogg's in India, when they launched their breakfast cereals in the early 1990s. Only the high-end consumers with high disposable income were able to afford Kellogg's cereals. Kellogg's never succeeded in penetrating the Indian mass market because of its high price and the company is losing money.

In reality, consumers in the tier 4 segment are highly price-conscious. This gives the local or regional companies an edge over the MNCs in the tire 4 segment. The success of Nirma is an example. In the late 1980s, Nirma started offering detergent products and later toilet

soaps for poor consumers mostly in the rural areas. Today, the brand Nirma has become so popular among the tire 4 segments that it has captured a market share of nearly 35% by value in the detergent segment and 20% market share in the toilet soap segment. In cassettes, the T-series brand was extremely successful with its low pricing and at the same time providing value with its more songs per cassettee. Recently, Ratan Tata, Chairmen of Tata Group, has announced that Tata is planning to manufacture a car made from different low cost components like cycle parts, which would be priced at Rs. 100000. At such a price, it might be able to expand the car market by attracting new customers with lower disposable income and also by luring away some of the existent two wheeler users.

A common error has been to launch a completely stripped down version of the urban product in the rural market, with the objective of offering the lowest possible price. This is not what a rural consumer wants. What is required is to introduce a product with essential features, whose needs are recognized and for which the consumer is willing to pay (value-adding features). Product developers should aim at eliminating all the cost-adding features, i.e., features which a consumer is unwilling to pay for as he sees no obvious utility. Product development is severely constrained by legislation in the case of agricultural inputs like fertilizers, insecticides and pesticides.

6.5 SUMMARY

In the initial years the focus was on the easily accessible well developed urban market. Soon there was proliferation of brands and intense competition resulting in the near saturation of the urban market. This forced companies to go for greener a pasture that is new markets. All eyes turned to the world most promising potential market of 742

million rural consumers, who had yet to taste the fruit of modernity. A promise that seemed ready to be fulfilled because of explosion in the buying capacity in the rural sector.

6.6 Keywords

Rural Consumer, NCAER, Rural Market, Urban Market and Consumer buying decision.

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6.8 Answers to Check your Progress

1. Buyer Decision

2. Psychological
3. Post Purchase

6.9 SELF ASSESSMENT QUESTIONS

1. Distinguish rural market customer with urban market customer
2. Define rural consumer buying decision and their psychology.
3. Explain the various factors influencing consumer behavior.
4. Briefly explain Innovative marketing strategic decisions.

UNIT 7: DESIGNING PRODUCTS AND SERVICES, PRICING AND DISTRIBUTION

STRUCTURE

7.0 Introduction
7.1 Objective
7.2 Product Strategy
7.3 Rationale of Support pricing
7.4 Rural Pricing Strategies
7.5 Role of Distribution in Rural Marketing
7.6 Significance of distribution
7.7 Adopting localized way of Distributing
7.8 Distribution Channels/Methods of distribution
7.9 Problems of rural distribution
7.10 Rural retailer behaviour
7.11 Summary
7.12 Keywords
7.13 References/Further Readings
7.14 Answers to Check in Progress
7.15 Self Assessment Questions

7.0 INTRODUCTION

India's rural markets are often misunderstood. A clear distinction needs to be made with regard to the reality versus the image of rural India. If such a distinction is not made, we will be unable to distinguish between the serpent and the rope and the rope and the serpent. The rural market is not homogeneous. Though the aggregate size is very large, individual subsets of this market tend to be rather small and disparate. Geographical, demographical, statistical, logistical differences

are very apparent. Positioning and realities regarding the potential of each of these market segments differ and lie at the very core of forming the strategy for the rural markets. The face of Indian agriculture is changing from dry land and irrigated agriculture into high-tech and low-tech agriculture. Farmers in states like Maharashtra and Andhra Pradesh have reaped the benefits of adopting new age farming practices, including green house cultivation, fert-irrigation and hydroponics. This has radically changed the economics of farming, with the investment in these system slowering the cost of cultivation, increasing yields due to integrated crop management practices and reducing the dependence on rainfall. As a result, disposable income has grown sharply. The aspirants are becoming climbers showing a sustained economic upturn as purchasing power is increasing in the rural markets. The proportion of very rich has increased five- fold. The growing incomes have modified demand patterns and buyer behaviour.

Moreover, the need for a product or service is now adequately backed up with the capacity, ability and willingness to pay. However, the market still remains largely unexploited. At most times, potential markets need to be found and at times, even created. Such creation of demand needs efficient management of the supply chain. To increase market share, behavioral change needs to be at the forefront of any strategy. Further, due to the diversity of this market, marketers need to think, plan and act locally. It is therefore essential to develop an accurate Marketing Mix for selling to rural Indians.

7.1 OBJECTIVE

After reading this lesson you will be able-

- To see the size of the rural market in terms of durable and non-durable products.

- To explore the strategies related to marketing mix adopted by the Indian companies.

Multiplier Effect of Rural Demand

Once a product gains acceptance in rural markets, the rural retailer put this item on his shopping list when visiting the wholesaler in the nearby town. This action by the rural retailer starts a chain reaction with the urban wholesaler; once the urban wholesaler knows that for such a product a rural demand is possible, he will start stocking this product and will recommend and push this product to other rural retailers. These rural retailers will in turn, sell to smaller retailers of smaller villages. In this way a multiplier effect create in rural demand.

7.2 PRODUCT STRETEGY

1. Small Unit Packaging

Small packs are preferred due to the following reasons:

1. Small packs help the rural consumer to pick the product at affordable price.
2. Individual use products like shampoo; toilet soaps, etc. are bought in smaller size.
3. Small packs are easy to display and they increase the visual appeal.
4. Small packs are convenient to retailer to do his business.

Example:

1. Cavin Kare introduced shampoo in 4 ml sachets at 0.50 paise.
2. Rasna is now available in sachet at Re. 1
3. Ponds introduced 20 gm talcum powder
4. Tiger biscuit is available in four biscuits pack at Re. 1

2. New Product Design

The products are designed as per the rural lifestyle.

Example:

1. PVC shoes and chappals are designed to work in adverse conditions.
2. LG electronics launched "Sampoorna" TV that can withstand power fluctuations.
3. Philips introduced small refrigerators especially for rural consumers.

3. Sturdy Products

Sturdiness of a product is an important factor for rural consumers. The rural consumers believe that heavier the, higher he power and durability.

Example:

1. Bullet motorcycle is popular in village due to its ruggedness.
2. Escorts has positioned their motorcycle "Rajdoot" as a tough vehicle.
3. Rural consumer prefer dry battery cell, which are heavy.

4. Utility Oriented Products

Rural consumers are more concerned with the utility of the product and its appearance.

Example:

1. Philips introduced low cost radio "Bahadur" with only medium wave receiver, which was failed and fund that rural consumer purchase radio not only for news but also for entertainment.

5. Brand Name

Rural consumers are more brand loyalists than urban consumer. The brand name should instantly be understood by the rural consumers. Rural consumers are unfamiliar with English and absurd names. More preferably rural brand is a symbol, logo or color.

Example:

1. Everyday battery with a cat symbol – rural consumers remember it as 'billi wali battery'.
2. Lifebuoy soap – rural consumers remember it as 'lal saboon'
3. Mahindra tractor's brand 'Bhumiputra'
4. Slogan of Red Label Tea "jiyo mere lal" proved very effective to promote sale.

7.3 RURAL PRICING

7.3.1 RURAL PRICING OBJECTIVES

1. ***Deeper penetration of market:*** Basically rural markets are adopted for deeper penetration and expansion because of its size. Hence the pricing objectives are different for rural and urban markets. E.g. VIM washing bar is Rs. 15 (400 gm) in the urban market but it is offered for Rs. 4 (200 gm) in rural markets.
2. ***Long run profit maximisation:*** A company enters in rural market should wait for success in long run. Hence penetration-pricing strategy is the best option.
3. ***Recover distribution cost:*** The pricing objective of a rural marketer should recover the costs involved in distribution alongwith production cost and dealer margin.
4. ***Competing pricing:*** Rural marketer should study the pricing strategy of its competitors and accordingly fix its prices.
5. ***Increaser sales and market share:*** The pricing objectives should be such that it boosts the sales in rural markets. E.g. Anchor white toothpaste launched with much lower price than the leading brands and captured the market.

7.3.2 RATIONALE OF SUPPORT PRICING

The main objectives of the Government's price policy for agricultural produce are aimed at ensuring remunerative prices to the

growers for their produce with a view to encouraging higher investment and production and to safeguard the interests of consumers by making supplies available at reasonable prices. The price policy seeks to evolve a balanced and integrated price structure in the perspective of the overall needs of the economy.

Creating buying power: For any product to sell, consumers need to have disposable income. The consumers in tier 4 segment have desire to buy products, but they do not have the purchasing capacity, as majority of the products are priced higher. To meet their desires, companies need to take steps so that these customers could have access to credit and have higher earning capacity. Many companies, however, might argue that it is not their responsibility to increase the earning capacity of the consumers to get access to credit. A few companies, however, proved it wrong. Way back in 1920s, Henry ford increased the wages of his employees to increase the sales of his Ford cars and he was successful.

Hindustan Lever Ltd. (HLL) the Indian subsidiary of unilever has started a programme targeting villages with a population of less than 2000. Under the program, the company provides self employment opportunities to villagers through Self-Help groups (SHGs). SHGs operate like direct to home distributors wherein groups of 15-20 villagers who are below the poverty line (Rs. 750) are provided with an opportunity to take micro-credit from banks. With the help of this money, villagers are able to buy HLL's products and sell them to other villagers, thereby generating employment and income for themselves and also increasing the reach of HLL's products.

Generally, the poor have difficulty in getting access to commercial credit, as the traditional banking system does not normally lend money

without collateral security. However, some institutions, like the Grameen Bank in Bangladesh, are helping the poor to access money through innovative solutions such as micro lending. In the Grameen Bank model, one group of rural women took out a loan for as little as $ 25 to start a business. Only when she repaid could the next woman in the group borrow.

The success of Grameen Bank has helped to spread the idea of micro-lending throughout the world. In Bangladesh alone, there are now around 10 million people who have taken the help of micro-finance to start business. It is now planning to replicate the success in rural India. The success of Grameen Bank had also led to its offshoot, Grameen Phone, a provider of village phone service. As mentioned in the article serving the World's Poor, Profitably by Prahalad C. K. and Hammond Allen, under the Grameen Phone, a single entrepreneur in a village borrows money from Grameen Bank to buy a mobile phone (GSM standard), which is being used by the entire village generating an average monthly revenue of around $90 for the entrepreneur.

Check your progress

1. __________ is employed to charge different customer groups differently projecting differences in quality of offer.
2. __________ is chosen when market is highly price sensitive, and a low price stimulates market growth.
3. ___________ involves setting prices reasonably at a lower level compared to competitors through careful streamlining of operations to become a low-cost firm without sacrificing quality.

7.4 RURAL PRICING STRATEGIES

Pricing strategies are linked to product strategies. The product packaging and presentation also keeps the price low to suit the rural consumer.

1. **Low Cost/Cheap Products:**

This is a common strategy widely adopted by manufacturing and marketing concerns wherein the price can be kept low by low unit packing like paisa pack of tea, shampoo sachets, etc. To decrease the cost and thereby the price, company adopts the following methods:-

- Refill Packs/Reusable Packaging:

Health drinks available in the urban areas. The containers can be put to multipurpose uses, which can have a significant impact in the rural market. E.g. tea, coffee & many other consumer goods are available in refill or reusable packages.

2. **Application of Value Engineering:**

In the food industry, Soya protein is being used instead of milk protein. The nutrition content of both is the same, Milk protein inexpensive whereas Soya protein is cheaper. The basic aim being to reduce the value of the product so it becomes affordable to a larger segment, thus expanding its market.

3. **Discriminatory pricing:**

Discriminatory pricing is employed to charge different customer groups differently projecting differences in quality of offer.

a)Product from pricing:

Different versions of product are priced differently but not proportionately to their respective costs. Eg: Beverages are offered in different sizes and packs. The unit price differs. New Lipton Tazgi tea is

available in 50 gms (Rs. 7.50), 100 gms (Rs. 14.50), 250 gms (Rs. 42)and 500 gms (Rs. 84).

b)Location pricing:

The same product is priced differently at different locations through the cost of offering at each location is the same.

c) Time Pricing:

Prices are varied by day or season. Eg: Umbrella is demanded in season so priced high during that time.

4. Penetration Pricing:

Penetration is chosen when market is highly price sensitive, and a low price stimulates market growth. Products like Chik shampoo, Rin detergent penetrated the market with lower prices in the initial stages and later went up the price ladder.

5. Value Pricing:

It involves setting prices reasonably at a lower level compared to competitors through careful streamlining of operations to become a low-cost firm without sacrificing quality. It involves human development, quality management, supply chain management, etc. In India many companies are adopting this approach as the markets are saturated and competition has intensified.

6. Psychological Pricing:

Some smart sellers quote their prices that end in an odd number e.g. Rs. 99.95 paise. It conveys two notions. ie. There is a discount or bargainii.

It belongs to a lower price range. Eg;- Bata Shoe Company has been using this price tactics since long. It is present in both Rural and Urban markets.

a) Reference Pricing:

Marketers position and sell products at higher prices by endorsement of products by celebrities, placing product along with classy products, referring to the purchases made by aspiration or associate group members or by stating that the current price is lower than the original one. Eg: A shampoo is referred to Re 1, Match box at 50 paisa, etc.

7. Refill / Reusable Packaging:

Refill packs benefits the rural consumers in terms of price and also the packaging material should be reusable in rural areas.

Example – Many farmers demand for fertilizers packed in LDPE or HDPE sacks. They feel that they get sacks free of cost by purchasing fertilizers.

8. Discounts

In order to motivate the rural retailer to sell more, a discount of 5-10% is given on the MRP particularly in case of FMC goods.

9. Promotional Schemes

Rural consumer normally buys household articles during festivals like Eid, Diwali, and Pongal etc. special promotional schemes could be introduced on such occasions like exchange offers, special discounts, etc.

7.5 ROLE OF DISTRIBUTION IN RURAL MARKETING

When a company decides to sell its products and services in a rural emerging market, one of the most important decisions it will make is the design of its distribution network. As Chopra and Meindl write in their book "Supply Chain Management", "An inappropriate network can have significant negative effects on the profitability of the firm."5 While a company operating in a developed market needs to carefully consider its distribution network design in order to achieve profitability, companies operating in rural emerging market face particular challenges because of

the low density of the population and poorly developed transportation infrastructure.

The majority of populations in emerging markets continue to live in rural areas. In India for example, according to the 2001 census, 72% of the country' s population resides in over 600,000 villages. Of those villages, 85% have less than 5,000 people in them, meaning that 612 Million people in India live in low-density areas.6 As a consequence of the low population density companies may be faced with continuously escalating inventory holding and transportation costs as they are forced to stock and manage sales points in thousands of villages to meet customer expectations for product availability

7.5.1 MARKETING AGENCIES

1] Producers

Farmers sell their surplus either at the farm itself or at weekly market village. Some big farmers assemble the produce of small farmers and sell at nearby market.

2] Middlemen

In food grain marketing, middlemen are classified as follows:

1. ***Merchant Middlemen:*** They buy and sell on their own and enjoy the profit or bear the loss. They are of following types:
    1. *Wholesaler:* They buy and sell food grains in large quantities directly from the farmers or from other wholesalers.
    2. *Retailers:* They buy from wholesaler and sell to the consumer in small quantities.
    3. *Itinerant Traders / Beoparies:* He collects the agricultural produce from different villages and Haats and brings it to the wholesale market. They normally purchase when the prices are low and sell it when the prices are high. They act as a financer to poor farmers

4. *Mashakhores:* They are small wholesalers or big retailers, dealing in vegetables and fruits.
2. ***Agent Middlemen:*** They act as a representative of their clients. They negotiate the purchase or sell on behalf of their clients for which they receive commission or brokerage. They are of two types:
    1. * *Commission Agent / Arhtias:* They are operating in unregulated wholesale market as a representative of a buyer or seller. There are two Arhtias; Pakka Arhtia acts on behalf of the trader. Kaccha Arhtia act for the sellers and farmers. They charge commission or arhat for his services. In regulated market there is only one category of commission agent under the name of 'A Class Trader'. He has his own shop, godown and also rest-house facility for his clients.
    2. *Brokers:* They do not take physical control of the product but they bring buyers and sellers on the same platform for negotiations. They received brokerage for their services.
3. ***Speculative Middlemen:*** Speculative middlemen take the title of the products with the intention of the earning profit. They buy at low prices during low demand period and sell it in the off-season when prices are high.
4. ***Facilitative Middlemen:*** They do not involve in buying or selling but assist only in marketing process. They receive fees or service charges for their services.
    1. *Hamal:* Do loading and unloading of goods.
    2. *Weighman:* Facilitate the weighing of the product.
    3. *Grader:* Sort out the products into different grades of qualities.
    4. *Auctioner:* Facilitate the auction or bidding of the products.
    5. *Transport Agent:* Facilitate movement of goods form one market to another.

6. *Communication Agent:* Inform about the price and quality available in market
7. *Advertising Agent:* Enable the prospective buyer to know about the quality of product and make purchase decisions.

7.6 SIGNIFICANCE OF DISTRIBUTION

No matter how well devised a company's product, pricing or promotion strategy, the most crucial link in ensuring the success of rural marketing efforts is distribution. Distribution must be strengthened and this would raise investment cost barriers for new entrants.

In Rural India, the selection and use of distribution channels is a nightmare. The reason for this is very clear when we consider that on an average, Urban and Rural India both have approximately 3 million retail outlets. However, Urban India has only 4,000 towns where these outlets are located. On the other hand, Rural India's 3 million outlets are located in 6.3 lakh villages. Thus, marketers are faced with the problem of feeding 3 million shops located in vastly diverse areas each of which records an average sale of onlyRs.5,000 per outlet. Further compounding this problem is the fact that even this meager sale is mostly on credit. The diversity in the distribution of shops is the self-limiting factor in terms of servicing the rural distribution network.

The distribution of outlets however shows that a marketer need not be present in all markets at all times. Being present in 6 lakh villages is virtually impossible for an organization of any size. Rural wealth and demand is concentrated typically at satellite towns, district headquarters, assembly markets and such central locations. Rural distribution has a rigid hierarchy of markets that make channel decisions relatively structured.

It is essential for rural marketing companies to understand this hierarchy. Rural folk are habituated to travelling once a week for their weekly purchases to a satellite town. They do not expect such items to be present in every village. For durables where the. outlay involved is typically large, the purchase would be made in an assembly market for reasons of choice and availability of adequate cash flow. This is due to the fact that it is at assembly markets that auction yards are present where the farmers congregate to sell their output. After such sale of produce, they are cash rich and can afford to make such purchases.

Check your progress
5 __________ act as a representative of their clients.
6 ___________, "An inappropriate network can have significant negative effects on the profitability of the firm."

7.7 ADOPTING LOCALISED WAY OF DISTRIBUTING/MARKETING CHANNELS

Proper distribution channels are recognized by co.npanies. The distribution channel could be big scale Super markets; they thought that a similar system can be grown in India. However, they were wrong; soon they realized that to succeed in India they have to reach the nook and the corner of the country. They have to reach the "local Paan wala, Local Baniya" only they can succeed. MNC shoe giants, Adidas, Reebok, and Nike started with exclusive stores but soon they realized that they do not enjoy much Brand Equity in India, and to capture the market share in India they have to go the local market shoe sellers. They have to reach to local cities with low priced products.

According to Moore Elar, "***A marketing channel is the chain of intermediaries through whom the various food grains pass from producers to consumers***".

Marketing Channels For Paddy & Rice

1. Producer – Commission Agent – Miller – Wholesaler – Retailer – Consumer
2. Producer – Itinerant Merchant – Miller – Wholesaler – Retailer – Consumer
3. Producer – Primary Wholesaler – Miller – Sec. Wholesaler – Retailer – Consumer
4. Producer – Miller – Wholesaler – Retailer – Consumer
5. Producer – Miller – Consumer
6. Producer – Govt. Miller – Govt. Shops – Consumer

Marketing Channels For Other Food Grains

1. Producer – Primary Wholesaler – Flour Miller – Retailer – Consumer
2. Producer – Itinerant Merchant – Wholesaler – Retailer – Consumer
3. Producer – Primary Wholesaler – Secondary Wholesaler – Retailer – Consumer
4. Producer – Village Shopkeeper – Wholesaler – Retailer – Consumer
5. Producer – Consumer
6. Producer – Govt. Flour Miller – Govt. Shops – Consumer

7.7.1 INNOVATIVE MARKETING CHANNELS (DIRECT MARKETING)

1. ****Apni Mandi / Kisaan Mandi:*** In Apni Mandi there is a direct contact between the farmer and consumer without the involvement of middlemen. The main objective of Apni Mandi increasing the profitability of crops by minimizing the marketing costs and middlemen margin. First Apni Mandi as started by Punjab Mandi

Board at Chandigarh in 1987. State government provides various facilities like space, water, sheds, counters etc to the market committee of the area where Apni Mandi is located.

2. ***Hadapsar Vegetable Market:*** It is located at Pune and is a model market for direct marketing of vegetables. It has no middlemen or commission agents.
3. ***Rythu Bazar:*** It is located in major cities of Andhra Pradesh with basic objective of eliminating middlemen and providing direct link between the farmers and consumers.
4. ***Uzhavar Shandies:*** It is located at selected municipal panchayats of Tamilnadu.
5. ***Shetkari Bazar:*** Established in Maharashtra for marketing fruits and vegetables.
6. ***Krushak Bazar:*** Established in Orissa for marketing fruits and vegetables.
7. ***Mother Dairy Booth:*** After the notorious onion and potatoes price crisis, Mother Dairy opened these booths in almost every colonies of Delhi to sell vegetable in retail.
8. ***Contract Farming:*** Agro processing companies enter into contract with the farmers that they provide the farmers with the inputs like fertilizers, seeds, pesticides and guidelines to grow crops and buy back the products with a rate specified in advance.

Advantage for Farmers

1. They get the better price for the produce as there is no middle man
2. They have assured markets for their produce
3. They are assured about the quality of seeds and pesticides
4. They received financial support in kind
5. They obtain efficient and timely technical guidance free of cost

Drawbacks of Contract Farming

1. It involves mainly cash crops, which may lead to scarcity of food crops.

2. It may create the danger of imposition of undesirable seeds.
3. Market making outside the country may cause breaking of country market.
4. The temptation of getting profits by cultivating variety of crops may cause permanent damage to the land.

7.8 DISTRIBUTION STRATEGY/METHODS OF DISTRIBUTION

1. ***Stockist's Van / Company Owned Vehicles:*** In this system, a salesman loads the van with stocks and from the company stock point and distribute in the surrounding market. Then he moves the next stock point and covers all surrounding markets. In this way he moves from one stock point to another and returns to company's stock point. It is the best but an expensive method.
2. ***Hired Vehicles:*** In this system, the salesman hire a public carrier like a taxi or a truck. The disadvantage of this system is that the salesman has to spend lot of time in organizing transport.
3. ***Working by Independent Stockist:*** In this system, inspite of having salesman, company gives this job to the stockist. Each stockist is asked to cover his surrounding market. It is useful only to companies with high volume turnover.
4. ***Selling Through Bullock Cart / Camel:*** This is used to market in remote villages with no motorable roads. In this system the number of outlets covered is limited because of slow transportation.
5. ***Appointment of Primary Dealers:*** Here a big retailer in a village is appointed as a primary dealer ad is asked to purchase the goods from nearby stockist with a special discount.
6. ***Using Urban Wholesalers:*** Company can ask the urban wholesaler to recommend and sell its products through their rural

retailers. In return, company gives them 1% incentives on actual sales made.

7.9 PROBLEMS OF RURAL DITRIBUTION

1. ***Transportation Problems:*** *(from Constraints in Rural Marketing)*
2. ***Warehousing Problems:*** *(from Constraints in Rural Marketing)*
3. ***Communication Problems:*** *(from Constraints in Rural Marketing)*
4. ***Non-Availability of Dealers:*** *(from Constraints in Rural Marketing)*
5. ***Greater Dependence on Dealers:*** Scope of manufacturer's direct outlets in rural market is limited; it is expensive as well as unmanageable. Thus firms have to depend on large network of intermediaries, controlling of which is a difficult task.
6. ***Higher Cost and Administrative Problems:*** Distribution chain in the rural context requires large number of tires including village level shopkeeper, mandi level distributor and wholesaler in town. Such multiple tiers and scattered outfits increase the costs and make channel management difficult.
7. ***Poor Viability of Retail Outlets:*** Retail outlets suffer from poor viability because the business volume is not adequate enough to sustain the profitability.

7.10 RURAL RETAILER BEHAVIOUR

1. ***Seasonal Pattern:*** There is particular seasonal pattern in stock holding of rural retailer. During the harvest he stocks variety of consumer goods, because the main buying season in rural areas is during harvest.
2. ***Transfer of Capital:*** When the harvest is over and cash is realized, the retailers invest in inventories for his shop.
3. ***Credit Pattern:*** Credits offered to consumers by retailers is different from area to area. Normally consumers have a running

credit with a part of outstanding is paid every month and the balance is paid during the harvest.

4. ***Purchasing Cycle:*** In high turnover feeder villages, the retailers make purchases 3 to 4 times a week from urban wholesaler. In other villages they buy once a week or fortnightly.

7.11 SUMMARY

Every marketer must realize that the rural consumer is not a miser. He is not simply looking for the cheapest product in every category. He understands and demands value for money in every purchase that he makes. Pricing and distribution therefore is a direct function of factors including cost-benefit advantage and opportunity cost. Pricing offered to consumers should be for value offerings that are affordable. Price sensitivity is extremely high and comparison with competitive prices is common. Consumers seem to create narrow psychological price bands in their minds for product groups and price elasticity beyond the extreme price points is very high. The perceived utility or value of the product or service is the ultimate decision making factor.

7.12 Keywords

Product Strategy, Rural Pricing and Distribution Strategies.

7.13 REFERENCES/SUGGESTED READINGS

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7.14 Answers to Check your progress

1. Discriminory Pricing
2. Penetration
3. Value Pricing
4. Middlemen
5. Supply Chain Management

7.15 SELF ASSESSMENT QUESTIONS

1. Explain in detail about the Product Strategy.
2. Briefly explain the Rural Pricing system.
3. Elaborate the Rural pricing Strategies.
4. Explain the role of distribution in rural marketing and give its methods.
5. Discuss the significance of distribution.
6. Explain the problems of rural distribution

UNIT 8: ROLE OF CO-OPERATIVE SECTOR MARKETING

STRUCTURE

8.0 Introduction
8.1 Objective
8.2 Meaning of Co operative Marketing
8.3 Role of cooperatives
8.4 Structure of cooperative marketing societies
8.5 Types of co-operative marketing societies
8.6 Membership
8.7 Functioning
8.8 Progress
8.9 Rural Development Trust
8.10 Summary
8.11 Keywords
8.12 References/suggested readings
8.13 Answers to Check Your Progress
8.14 Self assessment questions

8.1 INTRODUCTION

Today cooperation has come to stay as an instrument of economic growth and social reforms all over the world. It was introduced in European countries over a century ago. The first cooperative society which was formed in England at Rockdale in 1844, gave philosophy and procedure of work on the basis of cooperative doctrine. It was found useful and got recognition in all the countries. The society consisted of twenty-eight weavers. These weavers were recognized as Rockdale pioneers in the history of cooperative movement as they were torch

bearers and path finder's.

Cooperation came to India in Germany was organized on the pattern of Reinfusion. They were successful and the conditions of Germany was in those days were similar to that of India. Therefore, when F. Nicholson presented his report, he advised the Government to start cooperative activity on the basis of Reinfusion method. In India cooperation was introduced by an Act in 1904. The purpose of this act was to alleviate the hardships caused by the agricultural indebtedness of the farmers which became a chronic economic melody.

There is nothing novel about the cooperative doctrine in so far as India is concerned. Sermons appear in Vedas about the necessity of United Cooperatives living and common worship. From the writings in Kautilya's Arthashastra, it is clear that during Mauran Empire two thousand years ago, the village was regarded a social cooperative unit. Public utility works were a common obligation and joint responsibility of all the villagers in those days, autonomous guilds of workmen and industrial units worked on in cooperative manner and the earnings were divided equally on as agreed upon. These are some prehistory examples of cooperative spirit.

After the attainment of independence in 1947 the nation adopted a policy of planned economic development for establishing and integrated and just society providing individual liberty, equality of opportunity and a basic economic minimum programme for all. In this context, cooperation was considered as an effective and important instrument for achieving the objectives of economic planning. For this purpose, All India Rural Credit Survey Committee's Report was considered. The committee felt that with the introduction of 50 years of cooperative movement in India, cooperative credit have become the needs of the farmers. It

suggested that there should be cooperative apex banks, district central cooperative banks, and large sized primary agricultural credit cooperatives.

8.0 OBJECTIVE

The objectives of this lesson are-

- To make the students aware regarding the concept of cooperatives.
- To learn about the role and functions of cooperative marketing in India.

8.2 MEANING OF COOPERATIVE MARKETING

Cooperative marketing organisations are association of producers for the collective marketing of their produce and for securing for the members the advantages that result from large-scale business which an individual cultivation cannot secure because of his small marketable surplus.

H. Calvert di defines cooperation "as a form of organization, wherein person voluntarily associate together as human beings, on the basis of equality for the promotion of the economic interest of themselves". Whereas Prof. Paul Lumbert has defined that "Cooperative society is an enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole".

From the definitions discussed above, we may conclude that a cooperative organisation is a voluntary business organisation established by its members patrons to market farm products collectively for their direct benefit. It is governed by democratic principles, and savings are

apportioned to the members on the basis of their patronage. The members are the owners, operators and contributors of the commodities and are the direct beneficiaries of the savings that accrue to the society. No intermediary stands to profit or loss at the expense of the other members.

Check your progress

1. Co operation was first introduced in _______ countries over a century ago.
2. __________ organisation is a voluntary business organisation established by its members patrons to market farm products collectively for their direct benefit.

8.3 ROLE OF COOPERATIVES

Cooperatives are expected to build up an organised system for under developed agricultural growth in particular and rural development in general. Specifically, the areas of effective contribution can be enumerated as given below:

1. **Transfer of technology:** While agricultural cooperatives have obviously no role in the generation of agricultural technology, conceptually they can play a significant part in transferring such technology to the former members. In Japan, for instance, it is a normal function of the unit cooperatives to provide what is known as farm guidance. In the Republic of Korea also, agricultural cooperatives plays a distinct role in this regard. In Democratic People Republic of Korea (DPRK) cooperative farms have their own specialists for providing on the spot guidance. In India, in a few sectors such as sugarcane and milk the specialised cooperatives

have played significant role in providing agricultural know how. The contribution IFFCO in this direction needs to be appreciated.

2. **Fertilizer production and distribution:** Cooperatives can help to a great extent in consumption of chemical fertilizers. In the Republic of Korea as well a DPRK, 100 per cent of the chemical fertilizer is supplied to farmers by cooperatives. In Japan, nearly 90 per cent of the fertiliser is accounted for cooperative distribution. In India, the latest share of cooperatives is reported to be around 43 per cent.

3. **Irrigation:** The role of cooperatives in the spread of irrigation is subject to obvious limitations. In case of surface irrigation involving large dams, necessarily the responsibility remains with public agencies or government departments. However, in respect of minor irrigation, particular ground water, when the source of water are owned by individual farmers, the cooperatives can play a significant role through agricultural credit for investment in tube wells and pump sets. Besides India, in the Republic of Korea, irrigated farmers associations are doing a great job in promoting water development and water use for new crops. In fact, no surface irrigation works is owned by the government but all are owned land operated by farmers associations set up under a special law.

4. **Organised marketing:** Effective implementation of agricultural price policy requires an organised marketing infrastructure. This is an aspect where the cooperative can deliver a lot in India. During the past two decades, the development of agricultural cooperative marketing structure is found in Japan and the Republic of Korea. In these countries the share of cooperatives in overall agricultural marketing is very substantial. In Japan, more than 90 per cent of

rice is handled by cooperatives, whereas in China supply and marketing cooperatives, have virtually monopoly in marketing of commercial crops such as tobacco.

5. **Processing of agricultural produce:** The processing units organised in farmers cooperatives are an essential adjunct to the overall agricultural marketing system. In India, a substantial share of agricultural processing in respect of sugar, textile etc. is now in hands of cooperatives and this necessarily experts a decisive contribution to the growth of the relevant crops. India experience has attracted the attention, in some other countries such as Indonesia which is considering to establish a body similar to NCDC in India.

6. **Agricultural credit:** Cooperative can go a long way to promote and strengthen institutional infrastructure for agricultural credit. In fact, in several countries of south-east Asia, agricultural cooperatives have played a significant role in the countries, other institutions such as commercial bans have tended to overshadow the role of agricultural credit cooperatives. In India the credit cooperatives are taking appropriate steps to ensure a continuous and smooth credit flow to their members.

7. **Package deal:** In the strategy of agricultural growth a number of elements such as agricultural technology, agricultural extension, other inputs, credit, marketing etc. have to come together and interact so as to set off and sustain a growth process, it is only package of technology, inputs and services which can ensure growth. It is in providing such a package that the cooperative system has a distinct advantage over other forms of organisation. There may be other alternatives in providing individual services or

inputs; however, they are uni-dimensional in character. For instance, a rural bank may offer credits but it is not designed to offer auxiliary services and inputs. Similarly a private dealer may offer fertiliser but is unlikely to offer agricultural marketing and other connected services. It is the cooperative system which conceptually designed to offer to a farmer the entire range of inputs and services which are essential for a modern and highly productive agriculture.

8. **Equity in agricultural development:** In agricultural development while growth is crucial, equity is equally important. As agricultural modernization progress, the role of externally purchase inputs such as irrigation, fertiliser, seed, pesticides and also the role of marketing infrastructure substantially increases. Normally private marketing agencies tend to confine their operations in regard to fertilizer supply etc. at points where they are assured of substantial off take. Thus, relatively underdeveloped agricultural areas tend to be passed and the same happens to the relatively smaller and marginal farmer. For instance in Thailand the level of fertilizer consumption has been stagnant around a low level of 17 kg per hectare for quite some time. The main reason is that the private sector, which is the main distributor of fertilizer in the country, does not consider it worthwhile to retail fertilizer in relatively underdeveloped areas. As such there are substantial areas where practically no retail points for fertilizer exist. This stagnation of fertilizer consumption has substantially contributed to stagnation in the per hectare yield of paddy also.

What has been in case of the chemical fertiliser also applies to the other inputs, agricultural credit and also other services. This leads to inequalities within different parts of the country as well as various

sections of the farming community. Small and marginal farmers account as much as 70 per cent of more on the farming household. But their share of crop land is not more than 25 per cent. Thus, their production base is small. If vital inputs such as fertiliser water and credit also by pass them, it is inevitable that disadvantaged section of the farming community cannot get into the main stream of agricultural development. In this context the role of agricultural cooperatives cannot be over emphasised. That is why the first Cooperative Society Act which was passed in 1904, specially started that it, objectives was to enable persons of limited means to have cooperative societies for self help and mutual aid. In many countries of our region this has been the accepted social philosophy of cooperatives. In India also, cooperative have been referred to as instrument of economic development of the disadvantaged particularly in rural areas.

8.4 STRUCTURE OF COOPERATIVE MARKETING SOCIETIES

The cooperative marketing societies have both two-tier and three-tier structure. In the states of Assam, Bihar, Kerala, Madhya Pradesh, Karnataka, Orissa, Rajasthan and West Bengal, there is a two-tier pattern with primary marketing societies at the taluka level and state marketing federation as an apex body at the state level. In other states, there is a three-tier system with district marketing society in the middle. At the national level, NAFED serves as the apex institution. The pattern of the three-tier structure has been discussed in the paragraphs that follow:

(i) **Base level:** At the base level, there are primary cooperative marketing societies. These societies market the produce of the farmer members in that area. They may be single

commodity or multi commodity societies, depending upon the production of the crops in that area. They are located in the primary wholesale market, and their field of operations extends to the area from which the produce comes for sale, which may cover one or two tensile, panchayat samitis or development blocks.

(ii) **Central/District level:** At the district level there are central co-operative marketing unions or federations. Their main job is to market the produce brought for sale by the primary co-operative marketing societies of the area. These are located in the secondary wholesale markets are generally offer a better price for the produce. The primary co-operative marketing societies are members of these unions in addition to the individual farmer members. In the two-tier structure, the state societies perform the functions of district level societies by opening branches throughout the district.

(iii) State level: At the state level, there are apex (state) co-operative marketing societies. These state level institutions serve the state as whole. Their members are both the primary co-operative marketing societies and the central co-operative unions of the state. The basic function of these is to coordinate the activities of the affiliated societies and conduct such activities as inter-state trade, export-import, procurement, distribution of inputs and essential consumer goods, dissemination of market information and rendering expert advice on the marketing of agricultural produce. The cooperative marketing network of the country includes 29 state level marketing federations, 173 district/regional marketing co-operative societies, 2478 general purpose

primary marketing societies and 5028 special commodities societies.

8.5 TYPES OF CO-OPERATIVE MARKETING SOCIETIES

On the basis of the commodities dealt in by them, the cooperative marketing societies may be grouped into the following types:

(i) **Single commodity cooperative marketing societies:** They deal in the marketing of only one agricultural commodity. They get sufficient business from the farmers producing that single commodity. The examples are sugarcane cooperative marketing society, cotton cooperative marketing society and oilseed growers cooperative marketing society.

(ii) **Multi-commodity cooperative marketing societies:** They deal in the marketing of a large number of commodities produced by the members, such as foodgrains, oilseeds and cotton. Most of the cooperative marketing societies in India are of this type.

(iii) **Multi-purpose, multi-commodity cooperative marketing societies:** These societies market a large number of commodities and perform such other functions as providing credit to members, arranging for the supply of the inputs required by them, and meeting their requirements of essential domestic consumption goods.

Check your progress

3. __________ deal in the marketing of a large number of commodities produced by the members.

8.6 MEMBERSHIP

There are two types of members of cooperative marketing societies:

(i) **Ordinary members:** Individual farmers, cooperative farming societies and service societies of the area may become the ordinary members of the co-operative marketing society. They have the right to participate in the deliberations of the society, share in the profits and participate in the decision making process.

(ii) **Nominal members:** Traders with whom the society establishes business dealings are enrolled as nominal members. Nominal members do not have the right to participate in decision making and share in the profits.

Source of finance

In 1966, the Dantwala Committee estimated a capital base of Rs. 2.00 lakhs for a cooperative marketing society. At 1997 prices, it should be at least Rs. 30.00 lakhs. The following are the major sources of finance of a cooperative marketing society.

(i) **Share capital:** Farmer members and the state Government subscribe to the share capital of co-operative marketing societies members may purchase as many shares as they like. They are encouraged to invest sufficiently in the share

capital. They are also persuaded to invest their dividend and bonus in the shares of cooperative marketing societies.

(ii) **Loans:** Co-operative marketing societies may arise their finance by way of loans from the central and state cooperative banks and from commercial banks by pleding and hypothecation and also by clean credit to the extent of 50 per cent of owned capital.

(iii) **Subsidy:** The cooperative marketing societies get a subsidy from the government for the purchase of grading machines and transport vehicles to meet their initial heavy expenditure. They also get a subsidy for a part of the cost of the managerial staff for a period of 3 years to make them viable.

8.7 FUNCTIONING

The important functions carried out by the cooperative marketing societies are:

(i) **Sale on commission basis:** Co-operative marketing societies act as commission agents in the market, i.e., they arrange for the sale of the produce brought by the members to the market. They produce is sold by the open auction system to one who bids the highest price. The main advantage, which the farmer-members get by selling the producer through cooperative marketing societies instead of a commission agent, is that they do not have to accept unauthorised deductions or put up with the many malpractices, which are indulged in by individual commission agents. As there is no

individual gain to any member in the marketing of the agricultural produce through cooperative marketing societies, no malpractices are expected to be indulged in. This type of marketing is not risky for cooperative societies. But sometimes traders in the market from a ring and either boycott the auction on bid a low price when the produce is auctioned on the cooperative marketing societies shops. These tactics of the traders reduce the business of cooperative marketing societies. Therefore, farmers hesitate to take their produce for sale in the market through cooperative marketing societies.

(ii) **Purchase of members produce:** Cooperative marketing societies also enter the market as buyers. A society participates in bidding together with other traders, and creates conditions of competition. The commodities thus purchased by a society are sold when prices are higher.

This system of the outsight purchase by the society involves the risk of price fluctuation. If the managers of societies lack business experience, they hesitate to adopt the outright purchase system. In 1964-65, the National Cooperative Development Corporation recommended that the outright purchase system should be adopted only by a society which possesses in the following qualities:

(a) The society has a trained manager, i.e., one who is capable of understanding the intricacies of the trade.

(b) The society is financially sound and has adequate borrowing facilities.

(c) The society is affiliated to a good viable central level society;

and

(d) The society possesses processing facilities.

(iii) **Advancement of credit:** Cooperative marketing societies advance finance to farmers against their stock of foodgrains in the godowns of the societies. Thus increases the holding power of the farmers and prevents distress sales. Generally, societies advance credit to the extent of 60 to 75 per cent of the value of the produce stored with them. The recoveries are affected from the sale proceeds of the produce of the farmer. This function involves no risk to the society. Moreover, it increases the business.

(iv) **Procurement and price support purchases:** Co-operative marketing societies act as agents of the government in the procurement of food grains and other agricultural commodities at the announced procurement or support prices.

8.8 PROGRESS

The value of agricultural produce marketed through the cooperative marketing societies increased from Rs. 53 crores in 1955-56 to Rs. 738 crores in mid-nineties. The produce marketed through these societies account for 8 to 10 per cent of the marketed surplus. The important commodities marketed by these societies are food grains, sugarcane, cotton, oilseeds, fruits, vegetables and plantation crops. The progress of cooperative marketing societies has varied from state to state and within each state from commodity to commodity. Maharashtra, Uttar Pradesh, Gujarat, Punjab, Karnataka, Tamil Nadu and Haryana together

account for more than 80 per cent of the total agricultural produce marketed through cooperatives in the country. During the last 30 years the number of primary agricultural cooperative marketing societies increased from 3108 to 7506. These include 5028 special commodity societies and 2478 general purpose marketing societies. There has also been a fourfold increase the number of cooperative sugar factories and two-fold in cotton spinning and processing societies in the country.

Reason for slow progress of cooperative marketing

The main reasons of this slow progress are:

i) Farmers are indebted to local traders and enter into advance contracts with them for the sale of the crop.

ii) In some cases rivalries among farmer-members result in indecision, which hampers the progress of the societies?

iii) Members lack confidence in cooperative organisations, for most of the cooperative sector enterprises run at loss.

iv) Societies do not provide facilities of food and shelter to farmers when they visit the market for the sale of the produce.

v) There is lack of sufficient funds with the societies to meet the credit need of the farmers against pleding of the produce brought fore sale. Nor do they make an advance payment of the value of the produce purchased or sold through them.

(vi) Cooperative marketing societies are not capable of carrying

on their business in competition with traders and commission agents, because of the absence of adequate business expertise among their employees.

Suggestions for strengthening of cooperative marketing societies

i) Cooperative marketing societies should develop sufficient storage facilities in the mandi as well as in the villages.

ii) The societies should give adequate representation to the small and marginal farmers in their organisational set-up.

iii) In the selections of the officials of cooperative marketing societies, weightage should be given to business experience and qualifications. After their selection, the officials should be given proper training so that they may deal efficiently with the business of the society. The efficiency should be rewarded, wherever possible.

iv) There is a need for bringing about a proper co-ordination between credit and marketing co-operative societies to facilitate the recovery of loans advanced by credit societies, and make available sufficient finance for marketing societies.

v) Cooperative marketing societies should diversify their activities. They should sell the produce and inputs, and engage in the construction of storage facilities.

8.9 RURAL DEVELOPMENT TRUST

Children are the greatest assets of any nation and are also the future of the nation. Every child is an asset to society and the future. Welfare of the society depends on the welfare of the child. Children are always put first in any development sectors. Children need to be respected at any cause they should not be hindered.

Rural Development Trust (RDT) is a registered organization under Indian Trust Act. It is a Charitable non-governmental organization established in 1992. It was started to strengthen, empower and revitalize tribals, under privileged women, vulnerable children, landless labourers, Gypsies and dalits. It is currently working for social transformation of the migrant children communities; like drop outs, child laborers and never enrolled in schools in Kancheepuram District. The organization delivers its services with dedicated team based on the rights enshrined in the UNCRC.

Since 2004, RDT is making efforts and initiatives for the eradication of illiteracy among the migrant community especially those who are involving in construction work in Kancheepuram District. In this process, RDT has been providing capacity building and promoting educational rights for Dalit, Tribal and Migrant Community

RDT is one of the gross root NGOs working for the welfare of the migrant communities and safe guarding the rights of the migrant people. Its intervention in this children community has decreased the number of juvenile delinquents in Kancheepuram District. Through the special schools RDT has been providing nutritional noon meal, health care, text books, learning materials, writing materials and school bags at free of cost. The reductions of malnutrition and health hazards have

contributed the nation to build education in the back ground of millennium development goals.

All children deserve the right to grow up in a healthy environment where they can reach their full potential as citizens of the world. It is the responsibility of today's adults to identify hazards and conditions that impair children's ability to grow and mature safely and in good health. Working with migrant children started like this;

8.10 SUMMARY

Today cooperation has been accepted as an instrument of economic growth and social reforms all over the world. This is not a new concept as far as India is concerned as certain illustrations of cooperatives can be seen in Vedas and Upnishads. In modern India, it got momentum after independence in 1947. cooperative marketing organisation are the associations of producers for the collective marketing of their produce and for securing for the members the advantages that result from large scale business which an individual cultivator can not secure because of his small marketable surplus.

Cooperatives are expected to build up an organised system for underdeveloped agricultural growth in particular and rural development in general. Transfer of technology, fertiliser production and distribution, irrigation, processing of agricultural products, and organised marketing etc. are some of the roles which are played by the cooperative sector very effectively. Base level, district level and state level are the apex cooperative marketing societies as far as structure of marketing societies are concerned.

There are two types of members of cooperative marketing societies

i.e. ordinary member and nominal members. These societies generate their funds from sources such as loans, share capital, and scheme financing from the banks. Sale of different products/services on commission basis, purchase of members' produce, procurement of crops, and advancements of credit are the primary functions of these societies.

8.11 KEYWORDS

Package deal: It is a strategy of putting up number of elements such as agricultural inputs, extension services, credit facilities and marketing etc. in a single basket to sustain growth.

Nominal members: The members of a cooperative society who establishes business dealings only and do not have the right to participate in decision-making.

Multi-commodity societies: The cooperative marketing society which deals in number of commodities produced by the members.

Single commodity cooperative society: The society which deals in only single commodity produced by the farmers.

8.12 REFERENCES/SUGGESTED READINGS

1. Gopalaswamy, T.P., "Rural and Agricultural Marketing in India".
2. Fertilizers News, Oct. 2004.
3. Kotler Philip, Agricultural Marketing.
4. Acharya, S.S. and Agarwal N.L., Agricultural Marketing in India.

8.13 Answers to Check in Progress

1. European
2. Co operative Society
3. Multi Commodity

8.14 SELF ASSESSMENT QUESTIONS

1. Define 'cooperation'. Write in detail the evolution of cooperative societies in India.
2. Write a detailed note on the structure and types of cooperative marketing societies in India.
3. Elaborate the main functions performed by the cooperative marketing societies.
4. What are the main deficiencies in cooperative system? How can we strengthen the functioning and system of cooperatives.

UNIT 9: ADVERTISING CAMPAIGNS AND MEDIA CHOICE

STRUCTURE

9.0 Introduction
9.1 Objective
9.2 Objectives of Advertising
9.3 Factors Deciding to use Advertising
9.4 Media Choice for Advertising
9.5 Sales promotion
9.6 Sales Promotion techniques
9.7 Personal Selling
9.8 Publicity
9.9 Summary
9.10 Keywords
9.11 References/Further Reading
9.12 Answers to Check in Progress
9.13 Self Assessment Questions

9.1 INTRODUCTION

The general public's attitude toward advertising is ambivalent in that they like the individual ads while they hate advertising in general believing the profession to be glamorous while the morality of the industry are suspect. Much of the value and power of advertising is that it provides "silent information" as to how we should interact and present ourselves. Advertising helps consumers see the possibilities and meanings in the things that they buy. Advertising also liberates meanings that lie below the surface. Advertising is part of our every day

culture. If we see, as estimated, 1,500 ads per day, clearly they must influence or even change the cultural consciousness and behavior of the public.

Certainly advertising promotes a higher quality of goods through the ability of the consumer to identify a particular manufacturer and thus creating a need for that manufacturer to maintain quality. Advertising also gives business the ability to roll-out new products fast enough to offset the costs of creating such products. Additionally, advertising protects industry from government and special control as it democratizes information to consumers as to what products are available.

9.0 OBJECTIVE

After reading this lesson, you will be able-

- To develop an insight into rural marketing advertisement techniques.
- To discuss the challenges and opportunities promoting sales in rural marketing.

9.2 OBJECTIVES OF ADVERTISING

Advertising has communication objectives designed to accomplish certain tasks within the total marketing program and is a marketing tool that is more effective when used to sole "narrowly defined communication issues" (i.e., create brand awareness which is a preference for a brand that leads to an increased share of the market, which in term increases profitability).

To be successful, advertising must exhibit a creative executive to gain the consumer's attention and reach potential customers in an

appropriate environment at a proper time. If the message is received when the target market is busy or not available, it makes no impact.

Advertising, as a mass communication, must reach numerous publics. These include: distributors; employees (creating pride and loyalty); customers; potential customers; stockholders (who provide operating revenue); the community-at-large (who can influence public opinion and thus help with efforts such as new manufacturing plants and warehouse locations).

ADVERTISING PLAN

An advertising plan consists of the following elements: advertising goals stated in terms of marketing goals and objections (these goals are communication); market segmentation (to define the market via demographic, geographic and psychographic factors); a budget; product differentiation (emphasizes product differentiation based on consumer perception – these can be tangible or intangible such as style and image) but ultimately it is important that the customer can differentiate this product from others; the creative efforts; the media to be used for the campaign.

DEFINITION OF ADVERTISING:

"Advertising is a paid, mass mediated attempt to persuade." Advertising is paid communication by a company, organization (client/sponsor) or political candidate who wants their information disseminated. It is mass mediated in that it is delivered through communication media designed to reach large numbers of people. And it is an attempt to persuade, that is, to get someone to do something. Even if the ad is purely informational, it is still designed to get consumers to like the brand/company/person. An advertisement is a specific message

while an advertising campaign is a series of coordinated advertisements that communicate a theme or idea. An audience is a group of individuals who receive and interpret messages sent from advertisers. A target audience is a particular group of consumers who are most intended to receive the message.

ADVERTISEMENT CAMPAIGN

An advertising campaign is a series of advertisement messages that share a single idea and theme which make up an integrated marketing communication (IMC). Advertising campaigns appear in different media across a specific time frame. The critical part of making an advertising campaign is determining a *campaign theme* as it sets the tone for the individual advertisements and other forms of marketing communications that will be used. The campaign theme is the central message that will be communicated in the promotional activities. The campaign themes are usually developed with the intention of being used for a substantial period but many of them are short lived due to factors such as being ineffective or market conditions and/or competition in the marketplace and marketing mix.

An advertisement campaign is typically broadcast through several media Channels. It may focus on a common theme and one or few brands or products, or be directed at a particular segment of the population. Successful advertising campaigns achieve far more than the sporadic advertising, and may last from a few weeks and months to years.

Exhibit 1

Gramin India Agri Businet

The company has come up as one of the prominent Service Providers of **Rural Marketing Services**. The Indian rural market has gained significance in the recent times as the overall economic growth of the country has led to an improvement in the living standards of the rural people. Rural Marketing Services, offered by us, are the process used to determine what products or services may be of interest to the rural customers, and the strategy to use in sales, communications and business development in rural areas. Rural Marketing Services have helped in successful growth of varied industrial sectors such as FMCG, Telecom, Retail, Automobile, Agricultural and many more. The best part lies in the fact that we hold specialization in rendering Rural Marketing services.

Their Services Includes

- Brand promotion in villages through mass communication & advertisement
- Market survey for brand recognition
- Awareness programs
- Product sampling & distribution
- Anything which belongs to rural

Check your progress

1. __________is a paid, mass mediated attempt to persuade.
2. An _________ consists of advertising goals stated in terms of marketing goals and objections.
3. IMC stands for ___________________.

9.3 FACTORS DECIDING TO USE ADVERTISING

- **Volume of sales** – as sales increase, the percentage of dollars spent on advertising decreases as the public has been reached.
- **competitive environment and profit margin** – if there is a lot of competition within the category (i.e., soft drinks, beers) then a higher advertising budget is required (with beer, the companies not invest in events rather than ads)
- **Philosophy of advertising** – with some products a moving picture is needed (food) new product introductions – require heavy ad support maintaining leadership position within the category

9.4 MEDIA CHOICE FOR ADVERTISING

The types of media you choose for advertising your business may depend on your preferences, your budget or the suitability to your type of product. No matter what medium you choose, however, you need to make sure you can get your message to the people you want to receive it. Here is a look at different types of media, both new and old.

- **Outdoor Media:** The traditional outdoor media advertising for a business is billboards by the side of the road. People have also put large signs or murals on the sides of large buildings in cities. A new form of outdoor media is to put messages on the sides of moving vehicles. They might be painted on a truck, or it may be a car wrap that can be purchased inexpensively at a sign shop. Outdoor media should grab attention quickly, because it must usually deliver its message in just a few seconds.

- **Radio Spots:** Another form of traditional advertising is radio spots. You can hire a company to write up and perform a radio ad for you and buy airtime to play it on the radio. Another option is to pay a

small fee for the radio personality to mention your product or describe it in the course of the radio program.

- **Television Advertising:** Television advertising was going strong for years because people spent so much time in front of their TV screens. For awhile, television advertising took a beating as many cable stations did away with commercials. Recently, though, even most cable stations show commercials. While prime time television spots can be expensive, spots on cable stations are cheaper, especially in the wee hours. At that point, the question you have to ask yourself is whether you will reach your target audience at that time of day and on those channels to make it worth your investment.

- **Online Advertising:** The possibilities in online advertising are tremendous. You can do online press releases where you talk about your company and your latest business news. Another option is a Pay-per-Click campaign. In this type of advertising, you pay only when people interact with the ad Another way to use subtle online advertising is to have a Face book Fan page and use it to interact with your customers and other consumers. Article directories give you the opportunity to share your expertise regarding your industry, and you can do some advertising by including a slogan and a link to your website at the end of the article.

No matter what type of advertising you use, the best plan is to get out there and get started. Your customers will not come to you if you do not go to them first. Your advertising leads the way to sales through whatever form of media you choose.

9.4.1 RURAL SPECIFIC MEDIA

1. **Music Records:** It is an inexpensive medium. On complete language group can be reached on a low budget through cassettes that can be played in the place where rural people gathered.
2. ***Puppetry:** Puppetry is the indigenous theatre of India; it has been mot popular form of entertainment available to the village people. The performer uses puppets as a medium to communicate, ideas, values and social messages. Example:
   1. Sounds and drama division of the government of India used puppets to promote various government projects.
   2. LIC used puppets to educate rural masses about 'jeevan beema' in Lucknow.

Types of Puppet Theatre in India

States	Type of Puppet	Content
Rajasthan	Kathputli	Prithvi Raj Chauhan, Amar Singh Rathod
Orissa	String Puppet	Radha Krishna
Bengal	Rod Puppet	Mahabharat, Radha Krishna
Chennai & Andhra Pradesh	String/Rod Puppet	Lathakali
Orissa, Kerala, Karnataka	Shadow Puppet	Ramayana

1. **Folk Theater:** Folk theatre is mainly short and rhythmic in form. It has been used as an effective medium for social protest against injustice and exploitation.

2. **Interpersonal Media:** In many cases, rural people prefer face-to-face communication than mass communication. A firm can contact with audience through fairs & festivals, folk, etc.
3. **Group Meeting:** It is a component of interpersonal media. Salesman can effectively convey the product message at these meetings. Demonstration of products can also be carried out.
4. **House-to-House Campaign:** In these campaigns, promotional staff makes house-to-house visits in rural areas. This is different from door-to-door selling campaigns. Promotion staff does not sell the products, they only propagate the products.
5. ***Field Demonstrations:**
6. ***AV Vans:** AV van is a comprehensive mobile promotion station. The van can be used for sales campaign in addition to promotion campaigns. AV van exhibits films, audiovisual presentations, slide shows etc. It is very popular with rural marketing firms particularly agro business firms. AV van is very effective tool in rural communication but its cost is very high as the target population is very high.
7. ***Syndicated AV Vans:** It is an AV van publicity service provided by the independent agencies. Firms, which cannot afford to have their own publicity van, can utilise the syndicate van services.
8. **Stalls, Haats, Meals:** These are useful media of rural communication to spread the message and to induce brand trials.
9. **Wall Paintings:** The speech or the film comes to an end but the paintings stay as long as whether allows it to stay. The retailer usually paints its shops wall and name board which acts as a status symbol
10. **Use of Logos and Symbols:** Illiterate villagers would remember brands only by picture, symbols more than the name.
11. **Use of Information Technology:** ITC developed a web portal in regional languages to provide information to the farmers about the

products and services which they need in order to enhance farm productivity, information on whether, scientific practices, market prices etc.

12. **Focus on Reference Groups:** They are the opinion leaders and are the key persons of the village e.g. Sir Punch, Gram Sevak, Teachers, Doctors etc. These people should be taken into consideration while chalking the rural communication.

9.5 SALES PROMOTION

INTRODUCTION

The need for promotion arises from the intensity of competition. Sellers must somehow attract customers' attention. In the open markets of old (and farmers markets of today), sellers did and do this by shouting, joking with customers, and sometimes by holding up a squealing piglet for everyone to see. Priya Raghubir and his coauthors, writing in *California Management Review*, identify "three faces" of consumer promotions: these are information, economic incentive, and emotional appeal. Information may take the form of advertising the availability of something, incentives are offered in the form of discounts, and emotional appeals are made by displays and, of course, by the low price itself.

Precisely because sales promotions must provide *incentives*—whether to the distribution channel, the company's own sales people, or to the consumer—they cost money by definition and must produce additional volume to pay for the expenditures. A grand sale that clears out the inventory but, with added advertising costs factored in, reduces margin too is—a failure. Sales promotions therefore must be carefully calibrated to achieve the purpose. Holding promotions too frequently will habituate customers to buy only when promotions are in effect. Avoiding

promotions altogether will let competitors draw customers away. Alas, business never fails but to challenge the participant

DEFINITION OF SALES PROMOTION

Sales promotions are the set of marketing activities undertaken to boost sales of the product or service. Sales promotion is one level or type of marketing aimed either at the consumer or at the distribution channel (in the form of sales-incentives). It is used to introduce new product, clear out inventories, attract traffic, and to lift sales temporarily. It is more closely associated with the marketing of products than of services. The American Marketing Association (AMA), in its Web-based "Dictionary of Marketing Terms," defines sales promotion as "media and non media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product availability." Business pundits and academic students of business have developed almost fancifully sophisticated views of sales promotion. In down-to-earth terms it is a way of lifting sales temporarily by appealing to economic motives and impulse-buying behavior. The chief tools of sales promotion are discounts ("sales"), distribution of samples and coupons, the holding of sweepstakes and contests, special store displays, and offering premiums and rebates. All of these techniques require some kind of communication. Thus sales promotion and advertising are difficult to distinguish.

TYPES OF SALES PROMOTION

There are two basic types of sales promotions: trade and consumer sales promotions. The schemes, discounts, freebies, commissions and incentives given to the trade (retailers, wholesalers, distributors, C&Fs) to stock more, push more and hence sell more of a product come under trade promotion. These are aimed at enticing the trade to stock up more and hence reduce stock-outs, increase share of

shelf space and drive sales through the channels. However, trade schemes get limited by the cost incurred by the company as well as the limitations of the trade in India to stock up free goods. Incentives can be overseas trips and gifts.

9.6 SALES PROMOTION TECHNIQUES

1. **Cents - off -deal** - : The brand will be offered at a lower price. Price reduction percentage will be offered at a lower price. Price reduction percentage will be marked on the package.

2. **FSI** - : Free standing Insert - : A coupon or booklet inserted into the local newspaper delivery.

3. **Money back rebates** - : Consumers are offered a part as money back if the receipt and barcode are mailed to the producer.

4. **Buy - One - get - One – Free (BOGOF)** : It is a self liquidating promotion. This is a premium sales promotion tactic.This is a programme where there will be profit if there is corresponding increase in sales

5. **New Media** - : This is where websites and mobile phones support sales promotion. For example individual codes on the packet helping the consumer to enter the code into their website to see if they had won a prize or not.

6. **Direct Marketing** - : Products are sold through telemarketing and internet marketing.

7. **Advertisement** - : Advertisements are used to build long term image for the product. The main form of advertisement will be news papers, television ads, banners and web pages.

8. **Sales Force Meeting** - : The sales meetings will be conducted periodically to analyze the sales and to find out innovative techniques to increase the sales.

9. Personal Selling - : The products can be effectively increase the sales through personal selling. Because personal selling gets personal confrontation and immediate response.

10. Exhibitions - : The exhibitions will be conducted in factory outlets and at major cities.

11. Point of Sales Displays - : The products will be displayed as follows to increase the sales.

a. Dangles - : A sign that ways when a consumer walks by it.

b. Dump bin - : A bin full of products dumped in a bin.

c. Glorifies - : A small stage that elevates the products above other products.

d. Wobblers - : A sign of the product that jiggles.

e. Yes Unit - : An extra sales person pull out fact sheet.

f. Competitions - : The consumer who buys the product will get coupon to participate in competition to win.

12. Publicity - : This very important in sales. The product will be developed through commercially significant news. Press release and radio presentation will also be conducted to increase the sales.

13. Export Promotion - : The promotion will be by participating in export promotional conferences and exhibitions and trade fares nationally and internationally.

9.6.1 QUALITIES REQUIRED FOR A RURAL SALES PERSON

1. ***Knowledge of local language***
2. ***Willingness to get located in villages***
3. ***Cultural Congruence:*** Rural salesman must have proper acquaintance with the cultural pattern of rural life.
4. ***Attitudes:*** Rural salesman must have patience as their customers are traditional and conscious, it will not be possible to clinch the sales quickly. He may have to spend lot of time with customer and make several visits to gain favourable response.

5. ***Capacity to handle number of products lines:*** Rural salesman usually does not generate economic value of business if he handles few products. He is required to handle much large number of products lines as compared to urban salesman.
6. ***Greater Creativity:*** Rural marketing involves greater creativity. If the product is very new in the rural context, He has to introduce it using consumption pioneers and opinion leaders.

9.7 PERSONAL SELLING

INTRODUCTION

Delivery of a specially designed message to a prospect by a seller, usually in the form of face-to-face communication, personal correspondence, or a personal telephone conversation. Unlike advertising, a personal sales message can be more specifically targeted to individual prospects and easily altered if the desired behavior does not occur. Personal selling, however, is far more costly than advertising and is generally used only when its high expenditure can be justified. For example, the marketing of a sophisticated computer system may require the use of personal selling, while the introduction of a new product to millions of consumers would not. Two other forms of personal selling that are not used with high-end products are door-to-door selling and home demonstration parties. These two personal selling methods are primarily used for personal care products, cosmetics, cookware, encyclopedias, books, toys, food, and other items of special interest to homemakers. Ideally, personal selling should be supported by advertising to strengthen its impact.

Personal selling offers entrepreneurs both advantages and disadvantages in comparison with the other elements of the promotion mix. On the positive side, personal selling allows the salesperson to

target the message specifically to the audience and receive immediate feedback. In this way, it is more precise than other forms of promotion and often has a greater persuasive impact. Conversely, personal selling cannot reach as many potential customers as advertising, plus the cost of each contact is much higher. Another advantage is that personal selling can be an important source of marketing information. Salespeople may learn about competitors' products, for example, or about emerging customer needs that may lead to the development of a new product. If the sales force is well trained—acting as problem solvers and advisors for customers rather than using hard-sell tactics—personal selling may help a small business build loyal, long-term relationships with customers.

DEFINITION OF PERSONAL SELLING

Personal selling is the process of communicating with a potential buyer (or buyers) face-to-face with the purpose of selling a product or service. The main thing that sets personal selling apart from other methods of selling is that the salesperson conducts business with the customer in person. Though personal selling is more likely to be effective with certain types of products or services, it has important applications for nearly all kinds of small businesses. In fact, most of history's successful entrepreneurs have been skilled salespeople, able to represent and promote their companies and products in the marketplace. Personal selling is one part of a company's promotion mix, along with advertising, sales promotion, and public relations. Advertising is any form of paid sales presentation that is not done face-to-face. Television and radio commercials, newspaper and magazine advertisements, and direct mail inserts are well-known forms of advertising. Sales promotion is the use of incentives—such as coupons, discounts, rebates, contests, or special displays—to entice a customer to buy a product or service.

IMPROVING THE REPUTATION OF PERSONAL SELLING

Personal selling involves specific steps, requires training and experience, and employs some highly talented people. Unfortunately, personal selling is also commonly perceived as being a less than reputable field of work. Unethical salespeople, aggressive or hard sell tactics, and misleading sales pitches have made many buyers wary of personal sellers. Fortunately, much has been done to address this issue. Selling associations such as the Direct Selling Association have adopted codes of ethics that dictate standards of behavior that all members are to follow. Most organizations with personal sales forces also adopt their own codes of ethics that provide guidelines regarding the type of sales pitch that can be made, and the hours during which a sales call may be made. Many companies also prohibit the use of misleading information or pressure tactics to make a sale.

9.8 PUBLICITY

Publicity (a tool used in public relations) is non personal communication that is typically in the form of a news story that is transmitted through the mass media. The purpose of publicity is to draw favorable attention to a company and/or its products without having to pay the media for it. The way it often works is as follows: a company sends a press release (often with a video tape) to the media with the hope that it is newsworthy enough to be mentioned in the mass media. The advantage of publicity, besides the fact that it is free, is that it tends to more credible than advertising. On the other hand, there is no guarantee that the media will find the story newsworthy. Also, they might change the press release around so that it does not help the organization in any way. One product that received an incredible amount of publicity was Viagra. Sometimes, a film – especially one that is controversial – can generate a great deal of publicity.

Publicity is the deliberate attempt to manage the public's perception of a subject. The subjects of publicity include people (for example, politicians and performing artists), goods and services, organizations of all kinds, and works of art or entertainment. Publicity is the act of attracting the media attention and gaining visibility with the public, it necessarily needs the compliment of the media it cannot be done internally because it requires the attention of the publicist and it is the publicist that carries out publicity while PR is the strategic management function that helps an organization communicate, establish and maintain relation with the important audiences, It can be done internally without the use of media

A publicity-seeker tries to *"make the news"* -- i.e., to convince reporters/editors to present news coverage about a particular person, organization, or event -- by saying or doing something that the news media will choose to report of their own volition as part of their usual task of informing the public. The publicity-seeker's intent is to gain free and hopefully favorable editorial coverage. Other people and organizations that are fearful of receiving negative or harmful publicity will employ public relations practitioners to try to suppress or counteract negative media coverage.

Publicity-seekers are entirely at the mercy of the media's editors and other staff members. The editors, not the individual or organization who wants the publicity, decide whether or not anything will be reported in the media. And, even when something is reported, it's the media staff who decide how it will be reported and how much attention it will be given. It's very possible that information which an organization offers the media in a positive and flattering news release could show up in a news story that casts a negative or critical light on the organization that supplied it.

9.9 SUMMARY

Advertising, as a mass communication, must reach numerous publics. These include: distributors; employees (creating pride and loyalty); customers; potential customers; stockholders (who provide operating revenue); the community-at-large (who can influence public opinion and thus help with efforts such as new manufacturing plants and warehouse locations). Certainly advertising promotes a higher quality of goods through the ability of the consumer to identify a particular manufacturer and thus creating a need for that manufacturer to maintain quality. Advertising also gives business the ability to roll-out new products fast enough to offset the costs of creating such products.

9.10 Keywords

Advertising, Media Choice, Sales Promotion, Personal Selling and Publicity.

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9.12 Answers to Check in Progress

1. Advertising
2. Advertising Plan
3. Integrated Marketing Communication

9.13 SELF ASSESSMENT QUESTIONS

1. Give the Objectives of Advcrtising and brief it.
2. Define Advertising and explain Advertisement Plan
3. Explain in detail about the Media Choice in Advertising
4. Elaborately explain Sales Promotion Concepts
5. What is Personal Selling? Discuss.
6. Define Publicity and explain its concept.

UNIT 10: IMPACT OF INFORMATION TECHNOLOGY ON RURAL COMMUNICATION

STRUCTURE

10.0 Introduction
10.1 Objective
10.2 IT and Rural economic development
10.3 Benefits of IT on Rural development
10.4 Rural IT: Issues and Conceptual Framework
10.5 Rural Communication
10.6 Rural Banking
10.7 Role of Technology
10.8 Summary
10.9 Keywords
10.10 References/Further Reading
10.11 Answers to Check in Progress
10.12 Self assessment Questions

10.0 INTRODUCTION

It may seem paradoxical that modern information technology (IT), associated in our minds with developed country markets and capital-intensive methods of production, has any relevance for a country where many millions still lack basic needs. Nevertheless, there are many efforts underway in India and other developing countries to demonstrate the concrete benefits of IT for rural populations, and to do so in a manner that makes economic sense.

10.1 OBJECTIVE

How can information technology (IT) contribute to rural development? What are the channels through which impacts can be realized, and what are the practical means for realizing potential benefits? This unit examines several ongoing ventures that aim to provide IT-based services to rural populations in India.

10.2 IT AND RURAL ECONOMIC DEVELOPMENT

Turning to specific impacts, note that IT involves the electronic processing, storage and communication of information, where anything that can be represented in digital form is included in the term 'information'. Thus news, entertainment, personal communications, educational material, blank and filled-out forms, announcements, schedules, and so on are all information. Software programs that process data (searching, tabulating, and calculating, for example) are also information in this sense, representing a particular kind of intermediate good. We can use standard economic characterizations to classify the different kinds of information. For example, entertainment, personal communications, and sometimes news, are final goods. Educational material, job announcements, or some kinds of news (weather news for farmers, for example) are intermediate goods, typically used for improving income-earning opportunities.

Information goods typically have the characteristic that one person's use does not reduce their availability for another person. Thus, a message or weather news can be viewed by many people, simultaneously or sequentially. Depending on the content of the news or message, different people may place different valuations on the information. Only friends and relatives may be interested in a personal message, all farmers in a district may be interested in local weather

news, and so on. The ability to share information among users can impact the feasibility of providing it on a commercial basis. IT dramatically increases shareability of information, and this affects the economics of private provision of information goods and services.

10.3 BENEFITS OF IT ON RURAL DEVELOPMENT

For both government and private provision, one of IT's main direct benefits is in increasing efficiency by economizing on resource use in the operations of firms as well as in market transactions.

Information that would otherwise be conveyed through

- face-to-face contact,
- post,
- courier,
- print delivery,
- telegraph or telephone

may instead be communicated in digital electronic form via the Internet. Efficiency gains from Internet use are not automatic: the telephone, in particular, is an efficient means of communication for many types of information. IT also requires new investment, so the benefits of trips, time and paper saved must be weighed against the costs of installing and maintaining the new infrastructure.

Efficiency benefits of IT are not restricted to the communication itself. IT can improve the efficiency of the telephone network, and it can make it possible to track and analyze communications. Word processing, maintaining accounts, inventory management, and other such activities that may not require long-distance communications are also made more efficient by IT. We have outlined the potential static efficiency benefits of IT, but the direct dynamic benefits in terms of higher growth are harder

to identify. Of course, if IT economizes on current resources, more is available for investment, which can increase growth. If IT increases the efficiency of education delivery to the broader population, this investment in people (human capital acquisition) is also likely to lead to higher growth. IT may also have positive impacts through impacts on the innovation process. For example, IT can make innovation easier by allowing simulation and low-cost testing of new designs or searching through possible chemical compounds for beneficial drugs. Finally, IT may speed the diffusion of innovations through better communications, which may stimulate further innovation – though this last channel is speculative.

An important barrier to realizing the economic benefits of IT is the often-substantial up-front cost of investment in new infrastructure – both hardware and software. In developed countries such as the US, large potential customer bases and efficient capital markets help overcome this barrier. Hardware and software designed for developed country markets can easily be adapted to serve higher income consumers in developing countries, but this leaves out the majority of the population in developing countries. Thus, one potential consequence of IT is an exacerbation of inequality, as only higher income groups enjoy its benefits – this is the so-called 'digital divide'.

Check your progress

1. An important barrier to realizing the economic benefits of IT is the often-substantial up-front ______ of investment.

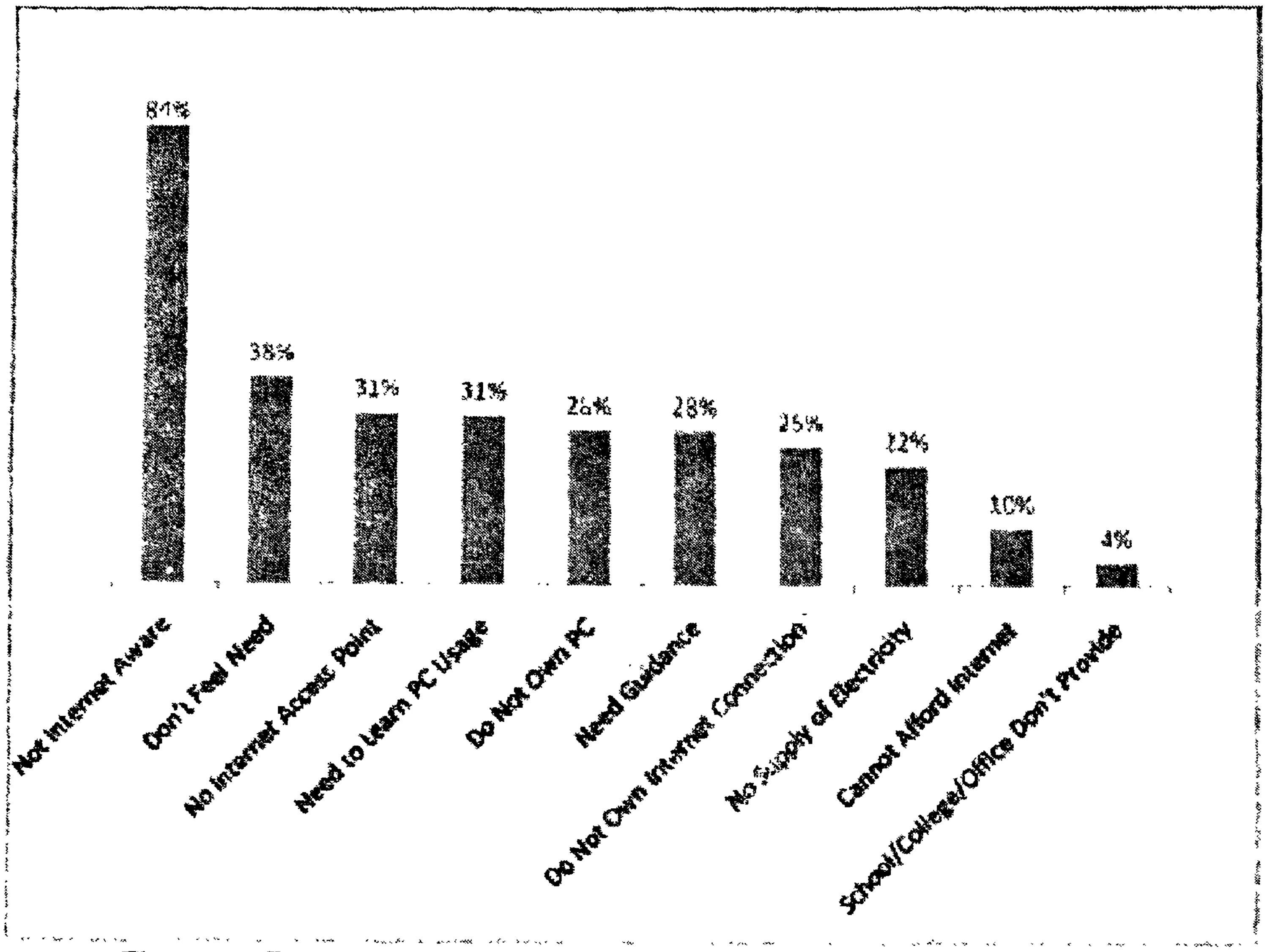


Figure 1: Reasons for Non-Usage of Internet among rural users in 2009

In rural areas and smaller towns, however, the various demographic and socioeconomic factors such as income levels, cultural attitudes, and geographic and social fragmentation may not be present in configurations that would easily enable the diffusion of commercial access to various IT-enabled services. Furthermore, the market power of traditional rural intermediaries may act as a barrier to partial innovations in how matching of buyers and sellers is conducted.

10.4 RURAL IT: ISSUES AND CONCEPTUAL FRAMEWORK

We examine the potential for rural IT use, both from supply and demand perspectives. On the supply side, we examine the technical and organizational issues that arise for delivering IT-based services to rural populations in India. On the demand side, we examine the potential

benefits that IT can bring to these populations, if the implementation is successful. We begin with the demand side, as a way of motivating the supply side issues. Potential sources of demand for IT-based services can be framed in terms of a simple flow diagram representing the decisions of rural households. We will treat a typical household as engaged in farming, though this will not be true for all of them.

10.5 RURAL COMMUNICATION

Around 50 percent of the villages are today connected by all weather roads and can be accessed throughout the year. But there are states, which are almost 100 percent connected with the metal roads. Road networking besides enhancing the mobility of rural consumers has increased their exposure to products and services. By watching such a scenario in these areas Korean consumer durable companies have decided to look beyond their noses. They are now placing their bets on rural markets. Two giants namely LG and Samsung have already made their strategies for entering into rural India. As per survey conducted by Indian Market Research Bureau (IMRB) 77 percent of the villages are covered by TV network. Now even villages are going for dish antennas and they have already been enjoying exposure to various products through advertisements. All the villages are about to be connected with telephone facilities in the near future and already there are some villages, which are connected with this facility. Apart from this, internet is not a distant reality. Recently Mr. Ram Vilas Paswan, the minister for communication has announced that in the coming days there would be 100 percent connectivity through telephones in the rural areas. Seeing these types of opportunities and interests of the ruralites, Tata cellular has already entered into rural India by making its first entry into Andhra Pradesh. Tata cellular has created India's largest cellular 'corridor' to provide connectivity to non-metro and rural centres.

Efforts have been made to connect the villages with all weather proof roads, so that they are accessible throughout the year. It has been estimated that about 46 per cent of the villages were connected with all weather roads, while 54 per cent remained inaccessible during rainy seasons. There are states where all the villages are connected by roads and also a public transport system, which touches the village at least once a day.

The railways network runs through rural areas, connecting at least a few thousands of villages. It has been estimated that during 1992-93, the total rail length was 62,500 kilometers. This means that there was 19.01 km rail length per 1000 sq. km. Area or 7.39 km rail length per lakh population. At least a part of this should be running through the rural areas. The increase in rail length has not been significant in the recent years and hence the possibility of all the villages getting rail transport is remote.

The road length position appears to be more encouraging when compared to railways. The total road length in the country was about 1.491 million kms in 1980-81, which increased to 2.037 million kms in 1990-91. The surfaced roads proportion also increased from 46 per cent to 49 per cent during the corresponding period. In other words, the road length which was 218 km per one lakh population in 1980-81 increased to 241 km per one lakh population in 1990-91.

Now golden quadrangle road scheme is under progress which will connect entire India from east to west and from north to south. It would be another feather in the cap of the rural development and the rural economy and development will be on fast track.

Cinema houses

The number of cinema houses has been increasing moderately. It is hoped that most of the cinema houses will come up in semi-urban and rural areas, since the urban areas are covered not only by Television but also by Cable TV and VCRs. The access to TV in rural areas being unsatisfactory, the cinema houses will have better prospects of surviving in rural areas than urban areas. The cinema viewing habit in rural areas is quite encouraging also.

Television

The television broadcast covers 93 per cent of the population, accounting for 26 per cent urban population, who are totally covered by telecast, the balance 67 per cent should be the rural populace. In fact, in any area, the rural population covered by broadcasting kendras, is more than the urban population covered. As per a survey conducted by IMRB (Indian Market Research Bureau), 77 per cent of villages are covered by TV network. The percentage of villages covered in South India is about 83 per cent, which is more than the other regions. It is also interesting to note that among the villages covered by TV transmission, 94 per cent had electricity supply. In such villages, a single community television set can work wonders. This medium may prove to be a boon for marketing personnel for promotion and communication, if effectively used.

The country is well linked by postal network. Presently there is a move to see that every village has atleast one telephone for communication with the outside world.

10.5.1 CONSTRAINTS IN RURAL COMMUNICATION

1. ***Low Literacy Rate:*** Due to low literacy level, the written words have limited use in rural communication.

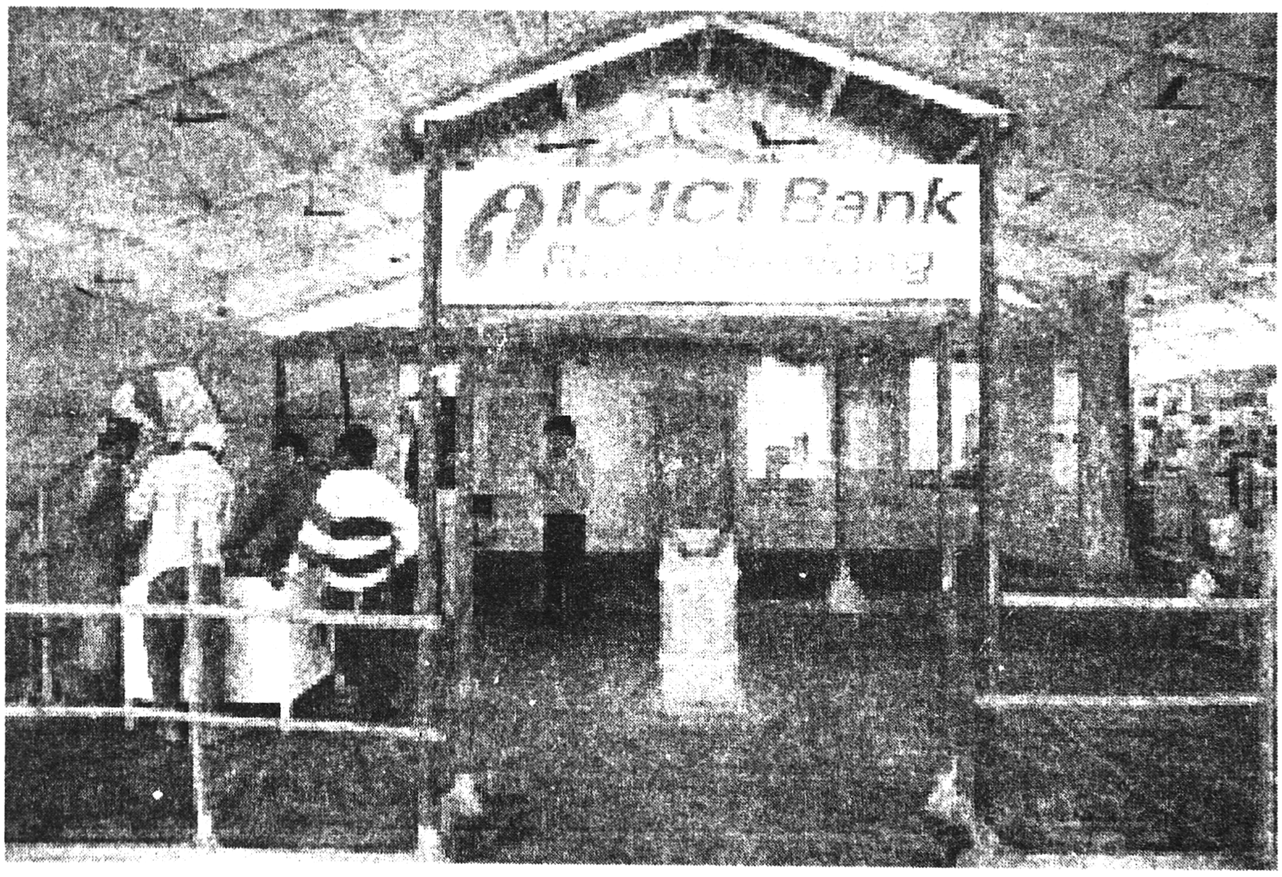
2. ***Low Spending Capacity:*** Due to low disposable income, they cannot buy radio & TV
3. ***Joint Families and Strong Kinship Ties:*** Rural people live in joint families where females depend on their males for information regarding various products. So it becomes difficult to reach female consumers directly.
4. ***Linguistic and Socio-cultural Differences:*** Number of languages and different cultural and social norms creating problems for marketers in designing the messages, as mass media in one particular language doesn't work for entire rural population.
5. ***Unique Media Habits:*** Media habits of villagers are such that the newspapers are found mostly at groceries shop, tea stall etc. Magazines are not read at all. The household press subscription is almost absent.
6. ***Situation Based Leisure Time Activities:*** Farmers has to work during nighttime and odd hours also. It is difficult to find the leisure time for communication.
7. ***Expensive Communication:*** For rural communication to be effective, repeat exposure is a must otherwise the message loss its effect during gap periods. This makes rural communication more expensive.
8. ***Poor Infrastructure:*** Due to the lack of roads and telecom facilities reaching rural audience is very difficult. TV viewer-ship is affected by uncertain supply of electricity.
9. ***Lack of Research Data:*** Decisions regarding messages and media mix for rural communication depends only on sales force and distributors, which is insufficient.
10. ***Selective Attention:*** Rural people select the messages that are have in their interest and ignore others.

10.6 RURAL BANKING

A rural bank is a financial institution that helps rationalize the developing regions or developing country to finance their needs specially the projects regarding agricultural progress.

Rural banking is banking that is done in an area that is not close to towns or cities, making it difficult for those who need to conduct banking business. Many times a bank's agent will come to the rural area to offer basic banking services. Rural banking is the process of conducting banking transactions out in the country where bank branches are too far away to be of use. Rural banking is popular for very small towns.

ICICI Rural Banking



Agriculture and rural sectors play an important role in India's overall development strategy in terms of income and employment generation and poverty alleviation. Great significance has, therefore,

been accorded to developing appropriate institutions and mechanisms for catering to the credit requirements of these sectors.

Government of India promoted Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in the flow of credit to the rural poor. The RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally-based and rural-oriented. Besides the RRBs, commercial and co-operative banks have been catering to the credit requirements of these sectors.

The renewed emphasis on agricultural and rural development by the Government of India would lead to a growing demand for different types of financial services in the rural areas. The present structure of rural credit may not be able to cater to the same. RRBs would be called upon to play a greater role in providing such services due to their rural character and feel. RRBs have to take over a larger share of credit disbursements calling for much larger resource mobilization, as also greater efforts for their institutional strengthening.

It was announced in the Union Budget for 2008-09 that the Central Government and the State Governments had reached an agreement on the content of the package for revival of the long-term cooperative credit structure. The cost of the package was estimated at Rs. 3,074 crore, of which the Central Government?s share would be Rs. 2,642 crore.

10.7 THE ROLE OF TECHNOLOGY

From times immemorial, technology has played a very important role in serving mankind. Be it the telephone to communicate or the cars

to transport goods cheaply between places. With the help of technology, it is possible to spur micro-enterprise and economic developments and empower consumers in the Tier 4 segment.

Technology for renewable energy such as solar power has helped to expand the market for various products. The advent of internet and advancement of information and communication technologies has not only reduced the problems but also became a powerful source of economic leverage for the consumers in tier 4. For companies, the technological advances have become an inexpensive way to establish marketing and distribution channels in the tier 4 segment. ITC's success with e-choupal demonstrates the importance of technology in serving the poor farmers in remote Indian villages.

Check your progress

2. A __________ is a financial institution that helps rationalize the developing regions or developing country to finance their needs specially the projects regarding agricultural progress.
3. IMRB refers to ______________

India's second-largest consumer bank, ICICI Ltd., is selling life insurance to farmers through internet kiosks set up in villages by the agricultural-trading farm of conglomerate ITC Ltd. Philips has revamped its line of home electronics for folks in the countryside, offering a wind-up radio that doesn't need hard-to-get batteries and a back-to-basics inexpensive television set. Sales of all these products are up. A digital rural market covering 6000 villages.

ITC, the diversified Indian corporate is growing a digitally networked rural market, titled 'e-Choupal'. Choupal is a village's traditional central meeting place where villagers exchange notes. E-Choupal is however an intranet connecting villages. To overcome issues of literacy and computer skills, there's a trained interpreter-technician called a 'sanchalak' at each eChoupal. Beyond the splash page echoupal.com is Hindi-only.

Originally a tobacco giant, ITC [-it was 'Imperial Tobacco Co.', then 'Indian Tobacco Co.' and now just, 'ITC'] has over the last two decades diversified into consumer goods and commodities among other things. With tobacco industry on the back foot, ITC probably wants to develop newer interests. But the urban consumer market is a pretty crowded scene. Hence ITC's rural initiative.

10.8 SUMMARY

From times immemorial, technology has played a very important role in serving mankind. Be it the telephone to communicate or the cars to transport goods cheaply between places. With the help of technology, it is possible to spur micro-enterprise and economic developments and empower consumers. Much of the discussion in the chapter had noted the possibilities of establishing the foot holds in rural market. First, these kinds of markets are heterogeneous; hence the marketer should frame different strategies to sell their products. However it must be noted that it is possible to capitalize on the similarities among the rural markets. The most important difference between rural and urban is in the degree of sophistications of the consumers. Urban consumers are generally familiar with such products, their attitude and value related to purchase and consumption will be different. Here the marketer may have

to work harder to sell their goods in rural area because of diversity of values and attitudes present in these regions.

10.9 Keywords

Rural IT, Rural Communication, Technology and Rural Banking.

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10.11 Answers to Check your Progress

1. Cost
2. Rural Banking
3. Indian Market Research Bureau

10.12 SELF ASSESSMENT QUESTIONS

1. Explain in detail about the benefits of IT on Rural development
2. What is Rural Communication? Explain.
3. Give the constraints in rural communication.
4. Discuss the role of banking in rural sector.
5. Explain the role of technology in Rural development.